# Morgan Stanley Smith Barney Management, LLC

# DBA Morgan Stanley Wealth Management

# Institutional Services Agreement

## For Participant Directed Retirement Plans

DISCLAIMER: All references to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), are not applicable to this Agreement.

**City of Las Vegas** ("Client" or "you") hereby retains, under the terms and conditions set forth herein, Morgan Stanley Wealth Management, LLC ("MSWM", "we" or "us"), through its Consulting Group business unit, to perform the services set forth below with respect to certain assets of the Client's MassMutual Financial Group deferred compensation plan ("Plan"), a qualified retirement plan.

This Agreement includes information required to be disclosed under Section 408(b)(2) of ERISA, including the direct compensation that MSWM will receive, as well as the services MSWM will provide, pursuant to the relationship created by this document. In providing services under this Agreement, MSWM reasonably expects to provide services as a fiduciary under ERISA (within the meaning of Section 3(21) of ERISA and the regulations thereunder), as well as an investment advisor registered under the Investment Advisers Act of 1940 ("Advisers Act"). The applicable Morgan Stanley ADV brochure includes additional information which will help the Client understand its relationship with MSWM, the services MSWM provides and the compensation MSWM receives. A copy of that document is attached herein as Exhibit E, and is incorporated as a part of this Agreement.

## 1. Consulting Services

As requested and after receipt of appropriate information from or on behalf of Client, MSWM shall perform the following consulting services as indicated below:

**A. Investment Policy Statement Review.** MSWM shall assist Client in the review, evaluation and (if requested in writing by Client) the preparation of investment policies and objectives concerning certain assets of the Plan.

**B. Administration Review.** MSWM shall review the Plan and the applicable contract and provide recommendations for improvement where appropriate.

**C. Performance Report**. MSWM shall provide Client on a periodic basis with a performance evaluation report (a "Report"), which reflects each investment company and exchange traded fund held by the Plan (each, a "Fund"), and which may include information such as Plan performance, asset allocation, and the performance of each Fund. The Report will be based solely on information requested by MSWM and provided by (i) Client, (ii) the Plan's custodian, at Client's direction, and/or (iii) various third party data sources. MSWM shall not be responsible for the accuracy of the information supplied by the Client, the Plan's custodian or other third parties or any reports derived from such information.

**D. Fund Search**. MSWM shall assist Client with identifying Funds that are generally consistent with the Plan's investment policies and objectives. MSWM shall identify such Funds from the universe of Funds that have been profiled, reviewed and approved by MSWM Investment Advisor Research ("IAR"), or the universe of Funds that have successfully passed MSWM's proprietary fund screening process, collectively "MSWM Approved Funds". Client understands that MSWM does not evaluate, will not recommend, and makes no representations concerning, any Fund chosen by Client outside of those MSWM Approved Funds, nor shall MSWM assume any liability for any loss, claim, damage or expense attributable to Client's selection of any Fund outside of those MSWM Approved Funds.

**E. Asset Classification**. MSWM shall provide the Client with general financial and investment information relating to such concepts as diversification and asset classification with respect to various asset classes and historic rates of return.

**F. Fiduciary Training.** MSWM shall provide the Client with updates pertaining to investment and regulatory issues.

**G. Investment Education**. MSWM shall provide the Client and/or the employees eligible to participate in the Plan with general financial and investment information relating to such concepts as diversification, asset allocation and historic rates of return. MSWM will meet with the Client as reasonably requested by Client to review such issues as performance and the overall allocation of the Client's Plan. To the extent that MSWM provides employees eligible to participate in the Plan with such general financial and investment information, such information is intended by MSWM (and understood by Client) to be "participant investment education" and not fiduciary "investment advice," as generally understood under ERISA, and as described in more detail in Section 3 below).

### H. Model Portfolios

In certain cases, MSWM may provide risk-based asset allocation advice to retirement plans that hold assets in custody at a custodian other than MSWM. In doing so, MSWM will provide the Client with certain strategic asset allocation models ("model portfolios") that are prepared by MSWM's Global Investment Committee (the "GIC"). The Client may then make available to participants certain groupings of Funds that have already approved by the Client and that are consistent with the components of the model portfolios selected by the Client. As the services hereunder are non-discretionary, the Client must make the final choice of Funds to populate the model portfolio.

It will be the responsibility of the Client to ensure model recommendations by MSWM can be implemented within their recordkeeping platform. MSWM may assist clients in determining the capabilities of their recordkeeping platform however it would be the ultimate responsibility of the Client to ensure any recommendations are implemented and offered to participants in manner that is consistent with the clients overall goals and objectives.

MSWM will provide the Client with performance reporting for such models which will include model performance comprised of the fund performance within the model. MSWM will also provide the Client with any changes/updates made to the asset allocation percentages within such models within a reasonable period of time however no more than one calendar quarter.

Models are tools used to assist the Client in achieving asset allocation goals. Models are not investment products sponsored by MSWM or investment choices available to plan participants within a plan.. Client may not make use of any branding associated with MSWM, the GIC or any other affiliate when describing the model portfolio. Termination of contract or model services will require the discontinuance of use of the models.

Consistent with the non-discretionary status of this program, it is the sole responsibility of the Client to make any updates or changes to such models with its retirement plan provider. If requested, MSWM may provide education to plan participants in regard to risk tolerance through various approved educational pieces, however any such education does not represent any attempt by MSWM to use discretion or extend its fiduciary liability under this agreement.

In connection with the services being provided to Client under this Agreement, MSWM shall be entitled to rely on the financial and other information provided by Client, the Plan's custodian, or other third parties to MSWM, in writing from time to time. MSWM does not independently verify this information, nor does MSWM guarantee the accuracy or validity of such information. Client agrees to inform MSWM promptly in writing of any material change in Client's or the Plan's circumstances which might affect the manner in which the Plan's assets should be invested or the services provided by MSWM to Client under this Agreement. Client will provide MSWM with any such information as MSWM shall reasonably request.

Client has determined that the services requested are suitable given the Plan's current financial situation and investment objectives. The Client acknowledges custody of Plan assets must be maintained at a third party and will not rely on MSWM, Citigroup Global Markets Inc. ("Citi"), Morgan Stanley & Co. LLC ("MS&Co.", formerly known as "Morgan Stanley & Co Incorporated") ), or any of their affiliates for any custodial type services. Furthermore, MSWM: (a) is not responsible for Plan administration or for performing any duties not expressly set forth in this Agreement, and (b) will not render any legal, accounting or actuarial advice and will not prepare any legal, accounting or actuarial documents.

Client acknowledges that it has retained and will exercise any and all final decision-making authority and responsibility for all matters concerning the assets of the Plan, including the selection of Funds as well as for the implementation of any asset allocation or other investment plan or strategy resulting from the services provided under this Agreement. To that end, Client acknowledges that, its decision to change any of the Plan's investments, vendors or other service providers as a result of the services set forth in this Agreement and the Exhibits hereto will be made solely at the discretion of Client, and MSWM shall not have any authority or discretion with respect to the management, custody, or investment of assets of the Plan nor with respect to the determination as to which vendors or other service providers shall be retained by or for the Plan.

**Client acknowledges that it has retained and will exercise any and all final decision-making authority and responsibility for all matters concerning the assets of the Plan, including the selection of Funds as well as for the implementation of any asset allocation or other investment plan or strategy resulting from the services provided under this Agreement.**

Notwithstanding any other provision of this Agreement, MSWM affiliated investment funds will not be presented to the Client. Client understands and agrees that, with respect to any MSWM affiliated funds that: (i) MSWM will not act in a fiduciary capacity under ERISA with respect to such Plan assets, and will not recommend any purchase, sale or retention of such funds under this Agreement, and (ii) with respect to any such Plan assets that are now or hereafter acquired as Plan assets, that the terms of MSWM's engagement will not cover such funds, other than standard performance monitoring, which Client agrees is not a fiduciary act of MSWM.

## 2. Fees.

Client shall pay MSWM for its services hereunder a fee as set forth in Exhibit A, which is attached to, and made a part of, this Agreement. The fees payable hereunder may be modified or changed by MSWM once per contract year with no less than 45 days notice to the Client. If MSWM increases the fee, it will do so after Client's written consent or upon written notice to Client. Clients will also be notified of any decreases to their fees. The new fee will become effective unless Client notifies MSWM in writing to terminate the Agreement. MSWM shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client. Notwithstanding the foregoing sentence, MSWM may be compensated based upon the total value of the Account as of definite dates.

The calculation of fees payable pursuant to this Agreement shall exclude the value of any MSWM-affiliated investment funds, as well as "employer securities" or "employer real property" within the meaning of Section 407 of ERISA.

Fees may be negotiated. Such fees may differ based upon a number of factors, including, but not limited to, the type of assets of the Plan, the size of such assets, the historical or projected activity of such assets, and the number and range of Fund and client-related services to be provided by MSWM to the Client.

All MSWM fees will be billed to Client.

A portion of the fees charged hereunder is paid to Financial Advisors and other employees of MSWM and its affiliates in connection with the provision of supplemental and client-related services. Such payments are made for the duration of this Agreement.

## 3. Client/Plan Sponsor Authority and Representations.

**A. ERISA Representations**. Client and the undersigned plan sponsor ("Plan Sponsor") represent and warrant that: (i) the Client signatory to this Agreement is either (a) the named fiduciary if the Plan is an "employee benefit plan" as defined in Section 3(3) of ERISA, the individual or entity responsible under the terms of the Plan's governing documents for the investment of the Plan's assets, which may be the "named fiduciary" of the Plan (or the person or entity authorized by the fiduciary to select investment managers) or (b) in the case of any other Plan, either the person for whose benefit the Plan was established or that person's authorized agent; (ii) the Plan and its governing instruments provide for the appointment of an "investment manager" as that term is defined in Section 3(38) of ERISA and permit the investment by the Plan in Funds under this Agreement; (iii) the individuals signing this Agreement have the full power, authority, and capacity to enter into this Agreement, and this Agreement has been duly authorized and is a legal, valid, and binding obligation of Client and Plan Sponsor enforceable against Client and Plan Sponsor in accordance with its terms; (iv) the execution, delivery and performance of this Agreement will not violate any provisions of the Plan or, if applicable its trust, and will not violate or result in any default under the Plan's governing documents, any contract or other agreement to which Client, Plan Sponsor or the Plan is a party or by which any such entity may be bound, or any statute or any rule, regulation or order of any government agency or body; (v) Client, Plan Sponsor and the individuals signing this Agreement are independent of MSWM, the Fund(s), and their affiliates; and (vi) the individuals signing this Agreement are capable of making investment decisions regarding the investment of the Plan's assets, the selection of Funds, administrative matters and funding matters related to the Plan, and are able to make an informed decision concerning the signing of this Agreement and maintenance of this relationship.

If any company sponsoring the Plan is a public company, or intends to become a public company, you agree to notify MSWM in writing of such facts. You will notify MSWM, in writing, within twenty-four hours if any of the foregoing representations become inaccurate or if the identity of any of the Plan's named fiduciaries with respect to the Plan changes.

Client has concluded that the fee and other charges set forth in this Agreement and any addenda thereto are reasonable in light of the services to be provided by MSWM under this Agreement, and that paying such amounts to MSWM is in the best interests of the Plan, its participants and beneficiaries. Further, if the Client has selected a Fund advised or distributed by MSWM or an affiliate as an investment under the Plan, Client acknowledges that it has received and reviewed a prospectus containing the applicable fees and expenses for the applicable fund prior to investment. Client has concluded that entering into this Agreement is prudent and has determined that each Fund chosen by it is a suitable investment for the Plan and as an investment complies with the terms of the Plan and any constituent documents. You also understand that due to regulatory constraints until further notice, your selection of available Funds will not include those that are, or are managed by, affiliates of MSWM.

In no event shall "employer securities" or "employer real property" within the meaning of Section 407 of ERISA be included as assets subject to this Agreement.

You represent that signing this Agreement and any instruction you give with regard to this Agreement is, and will be, consistent with applicable Plan documents, adopted and pending. You agree to provide MSWM with a copy of all such documents upon the request of MSWM. You represent that except as communicated in writing to MSWM, there are no limitations under the Plan on the Funds that may be purchased or held as assets of the Plan. You will notify MSWM promptly in writing of any modifications to the Plan's documents pertaining to investments by the Plan. You will provide MSWM with prompt written notice if you deem any investments made for the Plan to be inconsistent with Plan documents. You agree promptly to furnish MSWM with such documents as MSWM may reasonably request to verify the foregoing.

Client and Plan Sponsor undertake to advise MSWM of any event which might affect Client's authority to participate in, or the propriety of, this Agreement. If the Plan is subject to the provisions of ERISA or analogous state law, unless Client or Plan Sponsor notifies MSWM otherwise, Client and Plan Sponsor acknowledge that the assets covered by this Agreement are only a part of the Plan's assets and that MSWM will not have any responsibility (fiduciary or otherwise) for such other assets. MSWM is not responsible for Plan administration, for performing any duties not expressly set forth in this Agreement, or the Plan's overall compliance with the requirements of ERISA or any other governing law or documents.

If you are a Plan subject to the fiduciary responsibility part of ERISA, you agree to obtain and maintain for the period of this Agreement any bond required pursuant to the provisions of ERISA or other applicable law and to include within the coverage of such bond MSWM, and any of its officers, directors and employees whose inclusion is required by law, and to provide MSWM with appropriate documentation evidencing such coverage upon request.

Client acknowledges that neither MSWM nor any of its Financial Advisors has required that any particular mutual fund be included or excluded as a component of the investments offered or held under the Plan. Client and Plan Sponsor also acknowledge that any provision of education services, as described above, constitutes "investment education" and not the rendering of investment advice for a fee for purposes of Section 3(21)(A) of ERISA (ii) as explained in U.S. Department of Labor Interpretive Bulletin 96-1.

**B**. The Client represents that neither it nor another person who has an ownership interest in or authority over the Plan knowingly owns, operates or is associated with a business that uses, at least in part, the Internet to receive or send information that could be seen as placing, receiving or otherwise knowingly transmitting a bet or wager.

**C.** The Client understands that, in order to open and continue to provide services to the Plan, MSWM is required to obtain certain information from the Client. If this information is not provided by you fully or in a timely manner, MSWM may suspend the provision of services hereunder and/or terminate the Agreement pursuant to Section 5. The Client will deliver to MSWM, in writing, all of the information that MSWM or a Manager may require or reasonably request to perform their duties hereunder without violating or causing any violation of applicable law.

**USA PATRIOT ACT NOTICE**: IMPORTANT INFORMATION ABOUT OUR PROCEDURES FOR OPENING A NEW CUSTOMER RELATIONSHIP.

You further understand that to help the government fight the funding of terrorism and money laundering activities, federal law may require all financial institutions to obtain, verify and record information that identifies each individual or institution that opens an account or establishes a customer relationship with MSWM. Therefore, before entering into a new client relationship with you, MSWM will ask for your name, address, date of birth (as applicable) and other identification information. If all required documentation or information is not provided, MSWM may be unable to open an account or maintain a relationship with you.

**D.** The Client represents that neither it nor any person who has a material ownership interest in, or authority over, the Plan or Client is or has been a Politically Exposed person or an immediate family member or close associate of a senior political figure. If you, any other owner of, or any authorized person of the Plan or Client is or has been such a figure you are required to disclose that to MSWM and to provide the necessary information required by law to open and/or to service you. By signing this Agreement you also represent that Plan assets will not be used for any transactions with or for the benefit of any person, entity or country subject to sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). For the purposes of this paragraph, a "Politically Exposed Person" is a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not) or a major foreign political party, or a senior executive of a foreign government-owned corporation or a corporation or business entity or other entity formed by, or for the benefit of, such a figure; "immediate family" includes, but is not limited to, parents, siblings, children, and in-laws; "close associate" means a person who is widely and publicly known to maintain an unusually close relationship with a senior political figure, including a person in a position to conduct substantial domestic and international financial transactions on behalf of such a figure. For a fuller discussion of the preceding terms and definitions, see http://www.federalreserve.gov/boarddocs/srletters/2001/sr0103.htm.

## 4. Proxies and Other Legal Notices.

MSWM shall not take any action or render any advice with respect the voting of proxies solicited by, or with respect to, the issuers any securities held by the Plan, nor shall it be obligated to render any advice or take any action on behalf of Client with respect to securities or other investments held by the Plan, or the issuers thereof, which become the subject of any legal proceedings, including bankruptcies. Client hereby expressly retains the right and obligation to vote any proxies or take action relating securities held by the Plan; provided, however, Client may delegate said rights and obligations to an advisor or other properly authorized agent.

## 5. Termination of Agreement.

This Agreement may be terminated at any time upon written notice by either party to the other, and termination will become effective 90 calendar days from the date of the written notice. Such termination will not, however, affect the liabilities or obligations of the parties incurred, arising from transactions initiated, under this Agreement prior to such termination, including the provisions regarding arbitration, which shall be deemed to survive any expiration or termination of the Agreement. Upon the termination of this Agreement, MSWM shall not be under any obligation whatsoever to recommend any action with regard to the assets of the Plan.

## 6. Potential Conflicts of Interest.

Client understands that MSWM is affiliated with MS&Co. and Cit and thus MSWM cannot recommend MS&Co. and Citi affiliated mutual funds or other investment products. Client understands that MSWM and its affiliates may perform, among other things, investment banking, research, brokerage, and investment advisory services for other clients. Client recognizes that MSWM may give advice and take action in the performance of its duties for such clients (including those who may also be participants in the Consulting Group Institutional Services program) which may differ from advice given, or in the timing and nature of action taken, with respect to Client. Moreover, MSWM or any of its affiliates may give advice or take action with respect to itself or themselves differently than with respect to Client. Nothing in this Agreement shall be deemed to impose on MSWM or any of its affiliates any obligation to recommend any Fund or to purchase or sell, or recommend for purchase or sale, for Client any Fund which MSWM or any of its affiliates may recommend, purchase or sell, or recommend for purchase or sale, for its or their own account, or for the account of any other client, nor shall anything on this Agreement be deemed to impose upon MSWM or any of its affiliates any obligation to give Client the same advice as may be given to any other clients. Client further understands that any Fund may from time to time and as it deems advisable, consistent with applicable law, effect securities transactions with or through MSWM or any of its affiliates and that MSWM or any of its affiliates may earn brokerage commissions or other compensation in connection with those transactions. MSWM, its affiliates, and its employees, including Financial Advisors, may invest with any Fund.

By reason of its investment banking or other activities, MSWM and its affiliates may from time to time acquire confidential information and information about corporations and other entities and their securities. Client acknowledges and agrees that MSWM will not be free to divulge to Client, or to act upon, such information with respect to its or their activities, including its or their activities with respect to this Agreement.

A business unit of Citi receives compensation for providing administrative and back office services to investment management firms. These investment management firms may include affiliates of Funds in this program.

Unless specifically agreed to by Client in Exhibit B, Client and Plan Sponsor understand and acknowledge that the services provided by MSWM under this Agreement shall not include advice or other recommendations with respect to Client's selection and/or retention of a party to provide recordkeeping or related services.

In general, for MSWM to receive revenue directly from Funds in which the Plan invests, MSWM must be designated as "broker of record" in connection with the Plan's investment. MSWM proposes to only receive the fees as described in Section 2 and Exhibit A of this Agreement. Accordingly, Client and Plan Sponsor hereby acknowledge that neither will designate MSWM, Citigroup Global Markets Inc., or Morgan Stanley & Co LLC (formerly known as "Morgan Stanley & Co Incorporated") or any of their affiliates, Financial Advisors or employees, as "broker of record" in connection with the Plan or the Plan's investment in any Fund and such parties will not be responsible for collecting 12b-1 fees, shareholder servicing fees and/or selling fees, "loads" or other revenue associated with Plan's investment in any Fund. Client and Plan Sponsor are required to sign Exhibit C (Broker of Record Acknowledgement) which is attached to, and made a part of, this Agreement. Furthermore, MSWM reserves the right to request an updated Broker of Record Acknowledgement to this Agreement in its sole discretion at any time during the term of the Agreement.

## 7. Liability of MSWM.

Client and the Plan Sponsor acknowledge that a Fund's past performance is not necessarily indicative of future performance. MSWM makes no representations or warranty under this

Agreement with respect to the present or future level of risk or volatility in the assets of the Plan, or any Fund's future performance or activities. Client and Plan Sponsor understand that MSWM will perform no discretionary trading acts with respect to the assets of the Plan, and that the Client or Client's properly authorized agents are solely responsible for the management of such assets.

Client and Plan Sponsor understand and agree that: (i) neither MSWM nor its officers, directors, employees, or agents (collectively, "Agents") are guaranteeing, or otherwise making representations with respect to, the performance of the assets of the Plan; (ii) neither MSWM nor its Agents shall be liable for any losses with respect to such assets except those arising out of their own willful misfeasance, bad faith, or reckless disregard of their obligations under this Agreement or as otherwise may be provided by law; (iii) MSWM shall not be liable for any act done or omitted on the part of any third-party broker or agent utilized by the Funds to effect transactions for the assets of the Plan; (iv) neither MSWM nor its Agents shall be liable to Client, the Plan, the Plan Sponsor or any third-party for any tax, fines, or penalties payable by such parties and Plan Sponsor agrees to indemnify MSWM for any such tax, fines, or penalties and (v) neither MSWM nor its Agents shall be liable for any non-direct, special, consequential, incidental or similar type damages.

MSWM shall not be responsible for any misstatement or omission or for any loss attributable to such misstatement or omission contained in a Fund's prospectus or any other written disclosure statement or other materials concerning the Fund that was approved by the Fund for distribution to MSWM's clients. Client and Plan Sponsor acknowledge that any benchmarks that may be indexed in Client reports or Fund profiles are targets only, and neither MSWM nor any Fund shall be liable to Client, the Plan, the Plan Sponsor or any third-party for its failure to meet or outperform any such benchmark.

Plan Sponsor shall indemnify MSWM and hold it harmless from any claim that Client did not have the authority to enter into this Agreement. Plan Sponsor shall also indemnify MSWM and hold it harmless from any claim if the basis of such claim is premised upon inaccurate information Client, the Plan's custodian, or any third-party provided to MSWM. To the extent the fees due under this Agreement are paid from a trust under a Plan, if it is subsequently determined those payments were improperly paid from the trust, the Plan Sponsor also agrees to indemnify MSWM for any and all amounts expended to correct such payments.

Neither MSWM nor its Agents shall be liable for any losses caused directly or indirectly by government restrictions, exchange controls, exchange market rulings, suspension of trading, act of war, strikes or other conditions beyond their control, including but not limited to, extreme market volatility or trading volumes.

Nothing in this Agreement shall serve as a waiver or limitation of any rights that Client or Plan Sponsor may have under the Advisers Act, ERISA, or any federal or state securities laws. Nothing in this Agreement shall serve as a condition that limits or contradicts the rules of any self-regulatory organization or limits the ability of any party to this Agreement to file any claim in arbitration or limits the ability of arbitrators to make any award.

## 8. Non-Assignability.

This Agreement shall not be assignable by MSWM without the prior written consent of Client and Plan Sponsor. This Agreement and its terms shall be binding upon Client's and Plan Sponsor's successors, administrators, heirs, executors, committee and/or conservators.

## 9. Governing Law.

This Agreement, including the arbitration provision contained herein, is made and shall be construed under the laws of the State of Nevada without reference to the choice of law or conflict of laws provisions thereof. This choice of law clause shall not govern the choice of statutes of limitations applicable to claims and controversies described in the arbitration provision, and the statute of limitations applicable to any such claim or controversy shall be that which would be applied by the federal district court for the district in which Client resides.

## 10. Entire Agreement/Amendment.

This Agreement represents the entire agreement between the parties with regard to the services described herein. This Agreement shall not be modified or amended except by the express written agreement of the parties, signed by a duly authorized representative for each party. Any other attempt o modify or amend this Contract shall be null and void, and may not be relied upon by either party. This Agreement supersedes all previous agreements and understandings between the parties hereto with respect to the subject matter hereof.

## 11. Severability.

If any provision of this Agreement shall be held or made invalid by a statute, rule, regulation, decision of the tribunal or otherwise, the remainder of the Agreement shall not be affected thereby and, to this extent, the provisions of the Agreement shall be deemed to be severable.

## 12. Arbitration.

**This Agreement contains a predispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

- **All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
- **Arbitration awards are generally final and binding;* a party's ability to have a court reverse or modify an arbitration award is very limited.**
- **The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**
- **The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.**
- **The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.**
- **The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**
- **The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.**

**You agree that all claims or controversies, whether such claims or controversies arose prior, on or subsequent to the date hereof, between you and MSWM and/or any of its present or former officers, directors, or employees concerning or arising from (i) any account maintained by you with MSWM individually or jointly with others in any capacity; (ii) any transaction involving MSWM or any predecessor or successor firms by merger, acquisition or other business combination and you, whether or not such transaction occurred in such account or accounts; or (iii) the construction, performance or breach of this or any other agreement between you and us, any duty arising from the business of MSWM or otherwise, shall be determined by arbitration before, and only before, any self-regulatory organization or exchange of which MSWM is a member. You may elect which of these arbitration forums shall hear the matter by sending a registered letter or other written communication addressed to Morgan Stanley Smith Barney LLC at 485 Lexington Avenue, 11th Floor, New York, NY 10017, Attn: Legal and Compliance Division. If you fail to make such election before the expiration of five (5) days after receipt of a written request from MSWM to make such election, MSWM shall have the right to choose the forum. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) the person is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.**

**The statute of limitations applicable to any claim, whether brought in arbitration or in a court of competent jurisdiction shall be that which would be applied by the courts in the state in which you reside or if you do not reside in the United States, the statute of limitations shall be that which would be applied by the courts in the state where the MSWM office servicing your Account is located.**

## 13. Miscellaneous.

MSWM reserves the right to refuse to accept or renew this Agreement in its sole discretion and for any reason. In the event this Agreement is not renewed, MSWM shall provide 90 day written notice to the Client.

MSWM represents that it is registered as an investment advisor under the Advisers Act.

For the purpose of referring to this Agreement, the date of this Agreement shall be the date of acceptance by MSWM.

All legal notices and written communication pursuant to this Agreement shall be sent to:

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|---|---|
| FOR MSWM: | 2000 Westchester Avenue 2nd Floor<br>Purchase, New York 10577 |
| COPY TO: | Morgan Stanley Wealth Management<br>Attn: Freddie Sarno<br>3993 Howard Hughes Parkway, Suite 800<br>Las Vegas, Nevada 89169 |
| FOR THE CLIENT: | City of Las Vegas<br>Manager, Purchasing and Contracts<br>City Hall, Third Floor<br>495 South Main Street<br>Las Vegas, Nevada 89101-2986 |
| COPY TO: | City of Las Vegas<br>Benefits Administrator, Human Resources<br>City Hall, Third Floor<br>495 South Main Street<br>Las Vegas, Nevada 89101-2986 |

As used herein, reference to persons in the masculine gender shall include persons of the feminine gender. References in the singular shall, as and if appropriate, include the plural.

All paragraph headings are for convenience of reference only, do not form part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

All information, recommendations and advice furnished to Client and/or Plan Sponsor pursuant to the Consulting Group Institutional Services program shall be treated as confidential by Client and Plan Sponsor.

Client understands that collection and processing of the required documentation may delay the acceptance of the contract.

Client and Plan Sponsor acknowledge receipt of a copy of this Agreement (including Exhibit A), and of the applicable Morgan Stanley ADV brochure. Notwithstanding anything to the contrary herein, Client and Plan Sponsor shall have the right to terminate this Agreement within five-business days after entering into, and acceptance by MSWM of, this Agreement, and MSWM will refund any amounts previously received pursuant to this Agreement.

## 14. Project Manager/MSWM Representative.

The Client designates Daniel Rigato as the Project Manager for this Agreement. The Client will provide written notice to MSWM should there be a subsequent Project Manager change. The Project Manager will be MSWM's principal point of contact regarding any matters relating to this Agreement, will provide all general direction to MSWM regarding Agreement performance, and will provide guidance regarding the Client's goals and policies. The Project Manager is not authorized to waive or modify any material scope of work changes or terms of the Agreement.

MSWM designates Freddie Sarno as MSWM's Representative for this Agreement. MSWM will provide written notice to the Client should there be a subsequent MSWM Representative change. All MSWM Representative changes for this Agreement are subject to preapproval by the Client. The Client has the right to assume that MSWM Representative has full authority to act for MSWM on all matters arising under or relating to this Agreement.

## 15. Licenses/Registrations.

During the entire performance period of this Agreement, MSWM shall maintain all federal, state, and local licenses, certifications and registrations applicable to the work performed under this Agreement, including maintaining an active City of Las Vegas business license.

## 16. Insurance.

**A.** MSWM shall procure and maintain, at its own expense, during the entire term of the Agreement, the following coverage(s):

(i) Industrial/Workers' Compensation Insurance protecting MSWM and the Client from potential MSWM employee claims based upon job-related sickness, injury, or accident, during performance of this Agreement, and must submit proof of such insurance on a certificate of insurance issued by an insurer qualified to underwrite workers' compensation insurance in the State of Nevada, in accordance with NRS 616A-616D, inclusive. If MSWM is a sole proprietor, it will be required to submit an affidavit indicating that MSWM has elected not to be included in the terms, conditions and provisions of NRS 616A-616D, inclusive, and is otherwise in compliance with those terms, conditions and provisions.

(ii) Commercial General Liability Insurance (bodily injury, property damage) with respect to MSWM's agents assigned to the activities performed under this Agreement in a policy limit of not less than $1,000,000.00 per occurrence and $2,000,000.00 in the aggregate, for bodily injury (including death), personal injury and property damages. Such coverage shall be on an "occurrence" basis and not on a "claims made" basis, and be provided on either a Commercial General Liability or a Broad Form Comprehensive General Liability (including a Broad form CGL endorsement) insurance form. The form must be written on an ISO Form CG 00 01 10 01, or an equivalent form.

(iii) Professional Liability Insurance of limits no less than $1,000,000, combined single limit and in the aggregate. If coverage is on a "claims made" basis, then it must continue for a period of two years beyond the completion or termination of this Agreement. Any retroactive coverage must coincide with or predate the beginning of this Agreement and may not be changed without the consent of the Client.

**B.** MSWM must provide required insurance documentation to Insurance Tracking Services (ITS) immediately upon notification of selection. Award is conditional upon verification by ITS that all insurance requirements have been met. All policy certificates and endorsements are required to be issued by an agent authorized by that insurer and licensed by the State of Nevada. All required aggregate limits must be disclosed and amounts entered on the certificate(s) of insurance. The certificates must identify the Agreement number and the Agreement description. MSWM shall maintain coverage for the duration of this Agreement, and any renewal periods if applicable. MSWM shall annually provide ITS with a certificate of insurance as evidence that all insurance requirements have been met. MSWM and/or insurance carrier shall provide the Client with a 30 day advance notice of policy modification, cancellation or erosion of insurance limits, sent by certified mail "return receipt requested".

Submit certificates of insurance to:

City of Las Vegas
C/O Insurance Tracking Services, Inc. (ITS)
P.O. Box 21919
Long Beach, CA 90801

Account Manager: Michael Palacios
Phone: (888) 435-2955 ext. 503 Fax: (562) 435-2999
Email: michael.palacios@instracking.com

A certified, true and exact copy of each of the project specific insurance policies (including renewal policies) required under this Section 16 shall be provided to the Client if so requested.

**C.** The Client, its officers and employees shall be named as additional insureds on all policies with the exception of professional Liability Insurance. Such notation shall appear on the certificate of insurance furnished by MSWM's insurance carrier. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer and licensed by the State of Nevada. Each insurance carrier's rating as shown in the latest Best's Key Rating Guide shall be fully disclosed and entered on the required certificate of insurance. The Client requires insurance carriers to maintain a Best's Key rating of A VII, or higher. The adequacy of the insurance supplied by MSWM, including the rating and financial health of each insurance carrier providing coverage, is subject to the approval of the Client.

**D.** All deductibles and self-insurance retentions shall be fully disclosed in the certificate of insurance. No deductible or self-insured retention may exceed $25,000.00 without the prior written approval of the Client.

**E.** If MSWM fails to carry the required insurance, the Client may (i) order MSWM to stop further performance hereunder, declare MSWM in breach, terminate the Agreement if the breach is not remedied and, if permitted, assess liquidated damages, or (ii) purchase replacement insurance and withhold the costs or premium payments made from the payments due to MSWM or charge the replacement insurance costs back to MSWM.

**F.** Any subcontractor or subconsultant approved by the Client shall be required to procure, maintain and submit proof of insurance to the Client of the same insurance requirements as specified above, and as required in this paragraph.

**G.** MSWM is encouraged to purchase any additional insurance it deems necessary.

**H.** MSWM is required to remedy all injuries to persons and damage or loss to any property of the Client caused in whole or in part by MSWM, its subcontractors or anyone employed, directed or supervised by MSWM.

**I.** The policies required in Section 16.A.(a) i-ii shall have a Waiver of Subrogation provision endorsement in favor of the Client.

## 17. Audit of Records.

MSWM agrees to maintain the financial books and records (including supporting documentation) relating to the Client's account according to the requirements of applicable law, including but not limited to the Federal Investment Advisers Act of 1940 and the Securities Exchange Act of 1934. Financial books and records generally refers to documentation related to Consulting Services provided by MSWM under Paragraph 1 of this Agreement. The books and records shall be maintained for a period of three (3) years after completion of this Agreement, except that books and records which are the subject of an audit finding shall be retained for three (3) years after such finding has been resolved. If MSWM goes out of business, MSWM shall forward the books and records to the Client to be retained by the Client for the period of time required herein.

The Client or its designated representative(s) shall have the right to inspect and audit (including the right to copy and/or transcribe) the books and records of MSWM relating to the Client's account during normal business hours. The Client will provide prior written notice to MSWM of the audit and inspection. If the books and records are not located within Clark County, MSWM agrees to deliver them to the Client, or to an address designated by the Client within Clark County. In lieu of such delivery, MSWM may elect to reimburse the Client for the cost of travel (including transportation, lodging, meals and other related expenses) to inspect and audit the books and records at MSWM's office. If the books and records provided to the Client are incomplete, MSWM agrees to remedy the deficiency after written notice thereof from the Client, and to reimburse the Client for any additional costs associated therewith including, without limitation, having to revisit MSWM's office. MSWM's failure to remedy the deficiency shall constitute a material breach of this Agreement. The Client shall be entitled to its costs and reasonable attorney fees in enforcing the provisions of this Section.

If at any time during the term of this Agreement, or at any time after the expiration or termination of the Agreement, the Client or the Client's designated representative(s) find the dollar liability is less than payments made by the Client to MSWM, MSWM agrees that the difference shall be either: (a) repaid immediately by MSWM to the Client or (b) at the Client's option, credited against any future billings due MSWM.

## 18. Public Records.

The Client is a public agency as defined by state law. As such, it is subject to the Nevada Public Records Law (Chapter 239 of the Nevada Revised Statutes). The Client's Records are public records, which are subject to inspection and copying by any person (unless declared by law to be confidential). This Agreement and all supporting documents are deemed to be public records.

## 19. Marketing Restrictions.

MSWM may not publish or sell any information from or about this Agreement without the prior written consent of the Client. This restriction does not apply to the use of the Client's name in a general list of customers, so long as the list does not represent an express or implied endorsement of MSWM or its services.

## 20. Limitation of Funding.

The Client reserves the right to reduce estimated or actual quantities, in whatever amount necessary, without prejudice or liability to the Client, if funding is not available or if legal restrictions are placed upon the expenditure of monies for the services required under this Agreement.

## 21. Counterpart Signatures.

This Agreement may be executed in counterparts. All such counterparts will constitute the same agreement and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

## 22. Attachments.

The following Exhibit(s) are attached to, and made a part of, this Agreement:

☒ Exhibit A. Hard Dollar Fee

☒ Exhibit B. Additional Services and Fee

☒ Exhibit C. Broker of Record Acknowledgment

☒ Exhibit D. Certificate – Disclosure of Ownership/Principals

☒ Exhibit E. Form ADV Program Brochure Morgan Stanley Smith Barney LLC (Dated July 26, 2013)

**Representative Client List**. MSWM publishes materials, which, in addition to describing the nature of its investment advisory services, may also provide a representative listing of Consulting Group's institutional clients ("Representative Client List"). Such a listing will generally provide the name of the Client, but will not provide any specific asset information. By signing below, Client consents to the inclusion of its name on Consulting Group's Representative Client List.

**Client's Signature:** ______________________

## YOUR CONSENT TO ELECTRONIC DELIVERY OF ADV BROCHURES, PRIVACY NOTICES AND OTHER DOCUMENTS

a. ***Electronic delivery:*** By signing below, you authorize us to deliver any type of document relating to your existing and future investment advisory accounts and relationships with MSWM (including MSWM's ADV brochures and privacy notices), instead of paper copies, either by email to an email address you give us, by giving you a CD-ROM to read on a computer, or by referring you to a website.

b. ***Website address:*** MSWM's ADV brochures and privacy notices, and the Managers' profiles, for your Account are available now at www.morganstanley.com/ADV. Please review them.

c. ***Your computer access:*** You acknowledge that you have access to a computer which can access these documents (including PDF software, available free of charge at Adobe's website www.adobe.com, and a CD-ROM drive), and that you may incur costs accessing or printing the documents (e.g. online provider fees and printing costs). We are not liable for these costs or any computer problems (including viruses) you incur in accessing the documents.

d. ***How to get paper copies***: This consent remains in place until you give written notice to your Financial Advisor that you are revoking it. You may also, without revoking this consent, ask your Financial Advisor for a paper copy of any document that we deliver electronically under this consent.

e. ***Other document deliveries:*** Sometimes we may deliver paper copies of documents relating to an account. Also, some documents that we can deliver electronically are not covered by this consent and have separate procedures for enrollment and unenrollment in electronic delivery and for obtaining paper copies.

**BY SIGNING THIS AGREEMENT, THE UNDERSIGNED CLIENT ACKNOWLEDGES: (A) THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE (IN SECTION 12 ON PAGE 7) UNDER WHICH THE CLIENT AGREES TO ARBITRATE ANY DISPUTES WITH US; (B) RECEIPT OF A COPY OF THE AGREEMENT; (C) RECEIPT AND REVIEW OF THE APPLICABLE MORGAN STANLEY ADV BROCHURES AND ANY PRIVACY NOTICES; AND (D) THAT CLIENT CONSENTS TO ELECTRONIC DELIVERY OF ADV BROCHURES, PRIVACY NOTICES AND OTHER DOCUMENTS, AS PROVIDED ABOVE.**

Plan Name: **City of Las Vegas**

(If more than one, all principals/trustees of Client must sign. If any signatory is a fiduciary, the capacity in which the fiduciary is acting must also be indicated.)

AGREED to this ________day of________________, 2013.

CLIENT (For example: Board of Trustees, Investment Committee, Plan Sponsor, Other Named Fiduciary):

Name of Client: City of Las Vegas

By: ______________________________

Print Individual's Name: ______________________________

Title: ______________________________

Address: City of Las Vegas - City Hall

495 South Main Street

Las Vegas, Nevada 89101

**ATTEST:**

______________________________

Beverly K. Bridges, MMC
City Clerk

**APPROVED AS TO FORM:**

Robert S. Sylvain 6-28-13

Deputy City Attorney Date

PLAN SPONSOR (Do not complete or sign if Client signing above is Plan Sponsor):

Name of Sponsor: ______________________________

By: ______________________________

Print Individual's Name: ______________________________

Title: ______________________________

Address: ______________________________

______________________________

______________________________

ACCEPTED as of the _____day of ____________, 20_______

**Morgan Stanley Smith Barney LLC**

**DBA Morgan Stanley Wealth Management LLC**

By: ______________________________

______________________________

Robert J. Mandel, Executive Director
Consulting Group Institutional Services
2000 Westchester Avenue 2nd Floor
Purchase, New York 10577

# Exhibit A
## to
## CONSULTING GROUP INSTITUTIONAL SERVICES AGREEMENT
## For Participant Directed Retirement Plans
## Hard Dollar Fee

CONSULTING SERVICES FEE:

$70,000.00 per year

The fee for the consulting services provided by MSWM as set forth in the Agreement (the "Fee") is indicated above. The Fee shall be payable quarterly in arrears, as of the end of each calendar quarter. The Fee for any period which is less than a full calendar quarter, either at the commencement or termination of this Agreement, shall be prorated on a per diem basis. If this Agreement is terminated by either MSWM or Client, a prorata charge of the consulting services Fee will be made, from the beginning of the billing period through the date of termination.

The Fee does not include any fees or charges associated with Funds selected by the Plan.

# Exhibit B
## to
## CONSULTING GROUP INSTITUTIONAL SERVICES AGREEMENT
## For Participant Directed Retirement Plans
## Additional Services

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In addition to the services described in Section 1 of the Agreement, the Client elects to receive the following additional services with respect to the Plan, without incurring any additional fees.

**1. PLAN PROVIDER SEARCH SUPPORT.**

MSWM shall assist Client with the preparation and distribution of Requests for Proposals ("RFP") with respect to Client's search for a party to provide recordkeeping or related services for the Plan, and shall provide assistance with the evaluation of RFP responses and corresponding finalist interviews and conversion support. Unless, notified in writing by Client to the contrary, MSWM will assist Client with the preparation and distribution of such RFP's with respect to the Plan on an annual basis. Client understands that MSWM will not recommend and makes no representations concerning the Plan Provider selected by the Client.

**2. PLAN FEES & EXPENSE REVIEW.**

MSWM shall provide Client with a report for the purpose of assisting Client with the review of various fees and expenses paid by the Plan. Unless notified in writing by Client to the contrary, this report will be prepared on an annual basis and will generally consist of an overall assessment of current fees and expenses, as well as a comparison of such fees and expenses to those incurred by other plans of similar size and composition.

**Client acknowledges that the services set forth above are not intended as investment advisory services. Rather, they are intended as administrative support services that are supplemental to the investment advisory services that may be rendered under this Agreement. In that respect, Client acknowledges and agrees that the fiduciary standards of ERISA, the federal Investment Advisers Act of 1940 and any other applicable law or regulation shall not apply to the provision of the services set forth above.**

# Exhibit C
to
# CONSULTING GROUP INSTITUTIONAL SERVICES AGREEMENT
## For Participant Directed Retirement Plans
## Broker of Record Acknowledgment

Morgan Stanley Wealth Management LLC ("MSWM") has entered into an Institutional Services Agreement ("Agreement") with the Client and the Plan Sponsor to provide investment-consulting services with respect to certain assets of the Plan ("Plan"). These services are outlined in our Agreement.

Under our Agreement, MSWM is paid a fee for investment consulting services and, thus, neither MSWM, Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, their collective affiliates, their Financial Advisors nor their employees (collectively, the "MSWM Parties") can be the designated Broker of Record for the Plan, and the MSWM Parties will also not be responsible for collecting 12b-1 fees, shareholder servicing fees and/or selling fees or "loads" on behalf of the Plan.

Please acknowledge that none of the MSWM Parties is the designated Broker of Record for the Plan or any Fund account held in the name of the Plan and that an institution other than the MSWM Parties will be responsible for collecting 12b-1 fees, shareholder servicing fees and/or selling fees or "loads" on the Plan's behalf by signing and dating this acknowledgment below, and returning it to Derek Vito, Consulting Group Institutional Services, Morgan Stanley Smith Barney LLC, Delaware Corporate Center II, 2 Righter Parkway, 3rd Floor, Wilmington, DE 19803.

ACKNOWLEDGED this _____day of_______________, 2013.

CLIENT (For example: Board of Trustees, Investment Committee, Plan Sponsor, Other Named Fiduciary):

Name of Client: CITY OF LAS VEGAS

By: ______________________________

Print Individual's Name: ______________________________

Title: ______________________________

**ATTEST:**

______________________________

Beverly K. Bridges, MMC
City Clerk

**APPROVED AS TO FORM:**

Robert S. Sylvain 5-28-13
Deputy City Attorney Date

# Exhibit D
# to
# CONSULTING GROUP INSTITUTIONAL SERVICES AGREEMENT
## Certificate – Disclosure of Ownership/Principals

**1. Definitions**

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity,"* means the individual, partnership, or corporation seeking to enter into a contract with the City of Las Vegas.

*"Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

**2. Policy**

In accordance with Resolution 79-99 and 105-99 adopted by the City Council, Contracting Entities seeking to enter into certain contracts with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract.

**3. Instructions**

The disclosure required by the Resolutions referenced above shall be made through the completion and execution of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted. An Officer or other official authorized to contractually bind the Contracting Entity shall sign and date the Certificate, and such signing shall be notarized.

**4. Incorporation**

This Certificate shall be incorporated into the resulting contract, if any, between the City and the Contracting entity. Upon execution of such contract, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract, and/or a withholding of payments due the Contracting Entity.

| **Block 1: Contracting Entity** | **Block 2: Description / Subject Matter of Contract** |
|---|---|
| **Name:** | **Services for:** Deferred Compensation Services - MassMutual |
| **Address:** | |
| **Telephone:** | **Project Number:** 130216-CB-3 |
| **EIN or DUNS :** | |

**Block 3: Type of Business**

☐ Individual ☐ Partnership ☐ Limited Liability Company ☐ Corporation ☐ Trust ☐ Other:

# CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. | | | |
| 7. | | | |
| 8. | | | |

The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Ownership/Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: _____

**Block 5: Disclosure of Ownership and Principals – Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

______________________________
Name

______________________________
Date

Subscribed and sworn to before me this ____________________day of

____________________, 20__

______________________________
Notary Public

# Form ADV Program Brochure
# Morgan Stanley Smith Barney LLC

## Institutional Services Program

**July 26, 2013**

2000 Westchester Avenue
Purchase, NY 10577
Tel: (914) 225-1000
Fax: (614) 283-5057

www.morganstanleyclientserv.com

**This wrap fee program brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC ("MSSB"). If you have any questions about the contents of this brochure, please contact us at (914) 225-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about MSSB also is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.**

Morgan Stanley

# Item 2: Material Changes

This section identifies and discusses material changes to the ADV brochure since the version of this brochure dated March 30, 2012. For more details on any particular matter, please see the item in this ADV brochure referred to in the summary below.

**Ownership of MSSB; Merger of Investment Advisory Programs.** Prior to June 28, 2013, MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley ("Morgan Stanley Parent") and 35% by Citigroup Inc. ("Citi"). On June 28, 2013, Morgan Stanley Parent purchased Citi's 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

In 2012, MSSB merged the advisory programs previously provided by Morgan Stanley and Citi and/or Smith Barney. Now that this merger is complete, all clients' assets that were previously held in custody at Citi are now held in custody at MSSB (except for "sweep" assets, which are held in custody at the Sweep Banks pursuant to the Bank Deposit Program). (Item 4)

**For Participant-Directed Retirement Plans.** We now offer risk-based allocation advice to retirement plans through the Model Portfolio Service. (Item 4.A).

**Consulting Group Trust Services.** MSSB has made arrangements with external trust companies to enhance the administrative and operational experience of clients who appoint such an external trust company while MSSB provides investment advisory services. These arrangements could pose a conflict of interest. (Item 4.A)

**Fees.** We list fees for different services and payment methods including those for participant-directed retirement plan services. (Item 4.A)

**Funds in Advisory Programs.** For MSSB clients who are not Retirement Plans (as defined herein) and hold assets in custody at MSSB, MSSB receives payments from mutual fund companies whose open-end mutual funds are offered through the programs described in this brochure of up to 0.16% per year of the assets of such mutual funds that are held by MSSB clients. (Item 4.C)

**Client Selection of MSSB Affiliated Funds.** Where clients select to invest in mutual funds where the investment adviser is a MSSB affiliate, in addition to the program fee paid by clients, MSSB and its affiliates may also receive investment management fees and related administrative fees. (Item 4.C)

**Share classes.** Fund companies have developed additional types of specialized share classes designed for specific advisory programs. If available, clients' shares are converted into the share class required by the mutual fund for that type of account. On termination of your account, or the transfer of mutual fund shares out of your advisory account into a MSSB brokerage account, we will convert any institutional shares and/or advisory shares to the corresponding non-advisory share class. (Item 4.C)

**Cash Sweeps.** MSSB will, as your custodian, effect "sweep" transactions of uninvested cash and allocations to cash, if any, in your account into:

- interest-bearing bank deposit accounts established under the Bank Deposit Program ("BDP") at banks affiliated with MSSB or
- money market mutual funds. These money market funds are managed by Morgan Stanley Investment Management Inc. or another MSSB affiliate.

If you do not select a Sweep Investment when you open your account, your Sweep Investment will be BDP if you are eligible. MSSB has a conflict of interest in recommending affiliated sweep investments (Items 4.C and 6.A)

**Due Diligence.** Select teams from our Graystone Consulting and Private Wealth Management divisions perform due diligence on managers and, in the case of Graystone, mutual funds so that you have access to more investment options. The teams perform both qualitative and quantitative assessments. (Item 6.A)

**Custom Investment Outsourcing Program.** Information on investment advisory services we provide to institutional and high net worth clients through our Custom Investment Outsourcing program ("CIO") (formerly called the Fiduciary Asset Management program is in a separate ADV brochure.

# Item 3: Table of Contents

# Item 4: Services, Fees and Compensation

Morgan Stanley Smith Barney LLC ("MSSB", "we", "us" or "our"), is, among other things, a registered investment adviser, a registered broker-dealer, a registered futures commission merchant, and a member of the New York Stock Exchange. MSSB is one of the largest financial services firms in the country with branch offices in all 50 states and the District of Columbia.

Prior to June 28, 2013, MSSB was owned by a joint venture company which is indirectly owned 65% by Morgan Stanley ("Morgan Stanley Parent") and 35% by Citigroup Inc. ("Citi"). On June 28, 2013, Morgan Stanley Parent purchased Citi's 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

In 2012, MSSB merged the advisory programs previously provided by Morgan Stanley & Co. Incorporated (now, Morgan Stanley & Co. LLC) ("MS&Co.") and Smith Barney and/or Citigroup Global Markets Inc. ("CGM"). Now that this merger is complete, unless clients have appointed another custodian, all clients' assets are held in custody at MSSB (except for "sweep" assets, which are held in custody at the Sweep Banks pursuant to the Bank Deposit Program). Please see Item 4.C (Services, Fees and Compensation -- Additional Fees – Cash Sweeps -- Bank Deposit Program) below, for more information.

MSSB offers clients ("you", "your" or "Client") many different advisory programs. Many of MSSB's advisory services are provided by its Consulting Group business unit. You may obtain brochures for other MSSB investment advisory programs at www.morganstanley.com/ADV or by asking your Financial Advisor or (for Morgan Stanley Private Wealth Management clients) your Private Wealth Advisor. (Throughout the rest of this brochure, "Financial Advisor" means either your Financial Advisor or your Private Wealth Advisor, as applicable.)

## A. General Description of Programs and Services

MSSB focuses on providing a wide range of investment consulting services to institutional and high net worth individual clients, including assistance in developing investment policy statements, asset allocation, investment manager, mutual fund ("Fund"), exchange traded fund ("ETF") and alternative investment research, performance reporting and custody services. These services are delivered through a select group of institutional consulting teams located across the country that have significant experience serving the investment advisory needs of institutional as well as high net worth individual clients and are supported by a management team dedicated to institutional consulting. Clients include corporations, Taft-Hartley plans, foundations and endowments public and private defined benefit plans, 401(k) plan sponsors, family offices and high net worth individuals.

MSSB and its Consulting Group business division ("CG") administer and oversee the Institutional Services Program ("IS") as discussed. This section discusses the various general matters that apply to the IS program. MSSB and its Financial Advisors may also provide other services in connection with the described program. Any such services will be specified in the investment advisory agreement between MSSB and you (See "Account Opening" below). In addition, the guidelines to the programs and services are subject to change without notice. You should consult with your Financial Advisor for further details.

### Institutional Services Program

MSSB offers the following institutional consulting services to its clients:

***Assistance in the Preparation of Investment Objectives and Policies.*** Your Financial Advisor will assist in the review, evaluation and preparation of investment policies and objectives and if requested will assist in preparing investment guidelines for each of your investment managers.

***Asset Allocation.*** Your Financial Advisor will review your asset allocation and will make asset allocation recommendations in accordance with your investment goals.

***Investment Searches.*** Your Financial Advisor will assist you in identifying and recommending investment managers, Funds, and ETFs ("Investment Products"). These recommendations are based either on MSSB Investment Advisor Research (using different methods to evaluate investment managers, Funds and ETFs -- research on investment managers is provided through MSSBs Fiduciary Services ("FS") and Consulting and Evaluation Services ("CES") programs) or due diligence provided by MSSB's Graystone Consulting business unit ("Graystone"). Graystone due diligence on managers is conducted through its Manager Assessment Program, a proprietary investment management scoring system that assesses investment manager products in that database. Graystone teams conduct further analysis in an effort to identify managers for clients. See Item 6 below for more details.

Depending on applicable legal and regulatory requirements, clients may invest in certain affiliated and/or unaffiliated alternative investment vehicles (such investments, together with Investment Products, "Investment Options").

***Non-Researched Managers.*** Clients also may select investment managers outside of those covered by Investment Advisor Research or Graystone due diligence. Such outside managers, if qualified, will be offered through MSSB's Investment Management Services Program ("IMS"). MSSB does not evaluate or make any representations concerning such investment managers and shall not assume any liability for any loss, claim, damage or expense attributable to the client's selection of such managers.

***Performance Measurement.*** MSSB provides clients with customized performance reports that assess investment risk and return relative to benchmarks. The reports may include comparisons to recognized benchmarks and market segments.

***Custody and Statements.*** If selected by you, MSSB may serve as the custodian of all cash, securities and other assets held in the portfolio and credit the portfolio with dividends and interest paid on securities held and with the principal paid on called or matured securities in the portfolio. You will be provided with written confirmation of securities transactions and account statements at least quarterly.

***Institutional Services Program – For Participant-Directed Retirement Plans.***

MSSB also offers a non-discretionary investment-consulting platform for participant directed retirement plans. Through this program, MSSB offers initial and ongoing investment consulting services to Plan Sponsors, including investment policy statement review, asset style analysis and mutual fund search and selection.

*Investment Consulting Fund Screening Program.* For participant-directed retirement plan sponsor clients, MSSB offers the DC Investment Consulting Fund Screening Program which is explained further in Item 6A below.

*Model Portfolio Service.* In addition to providing fund screening services as explained further in Item 6A below, MSSB may provide risk-based asset allocation advice to retirement plans that hold assets in custody at a custodian other than MSSB. If requested, MSSB will provide plan sponsor clients with certain strategic asset allocation models ("model portfolios") that are prepared by MSSB's Global Investment Committee (the "GIC"). A plan sponsor client availing of the model portfolio service may then make available to participants certain groupings of Funds that have already been approved by the client and that are consistent with the components of the model portfolios selected by the client. As the services are non-discretionary, the client must make the final choice of Funds to populate the model portfolio.

It will be the client's responsibility to ensure model recommendations can be implemented within their recordkeeping platform. MSSB may assist in determining the capabilities of the client's recordkeeping platform, however it will be the ultimate responsibility of the client to ensure any recommendations are implemented and offered to participants in a manner that is consistent with the client's overall goals and objectives.

MSSB will provide the client with performance reporting for such models which will include model performance comprised of the fund performance within the model. MSSB will also provide the client with any changes/updates made to the asset allocation percentages within such models within a reasonable period of time however no more than one calendar quarter.

The client will be responsible for making any updates or changes to such models with its retirement plan provider. If requested, MSSB may provide education to plan participants in regard to risk tolerance through various approved educational pieces, however any such education does not represent any attempt by MSSB to use discretion or extend its fiduciary liability under the program client agreement.

*Administrative Services.* MSSB may also assist the retirement plan and other institutional clients with certain administrative functions as described below. These are not investment advisory services and MSSB does not assume status as a fiduciary under ERISA, the Investment Advisers Act of 1940 or any other applicable law or regulation in performing these services. MSSB provides the following administrative services:

- *Board Education/Asset Classification* – MSSB shall provide the Client with general financial and investment information relating to such concepts as diversification and asset classification with respect to various asset classes and historic rates of return.

- *Participant Education* – MSSB shall provide the Client and/or its employees eligible to participate in Client's Plan with general financial and investment information relating to such concepts as diversification, asset allocation and historic rates of return.

- *Provider Search Assistance.* MSSB may assist plan sponsors in searches to retain third party service providers such as record keepers. This service may be provided to existing clients of MSSB or on a one-time basis to plans that are not MSSB. In doing so, MSSB will:

  1) evaluate the plan sponsor's needs,
  2) assist the plan sponsor in preparing a Request for Proposal ("RFP"),
  3) assist the plan sponsor in soliciting a reviewing responses from potential providers,
  4) assist the plan sponsor in selecting finalists, and
  5) provide the plan sponsor with an executive summary report to assist the plan sponsor in making its final decision.

- *Fee Benchmarking.* MSSB may perform a comparative analysis of fees charged by third party service providers and the expenses of funds that are available to plan sponsors in order to allow them to evaluate the level of such fees that they pay relative to similarly structured and sized retirement plans. This service may be provided to existing clients of MSSB or on a one-time basis to plans that are not MSSB clients and MSSB may retain third-party firms to assist it in providing this service. The service shall include the following:

  1) obtaining information from plan sponsor for preparation of Fee Benchmarking report, and

  2) preparation of and assistance in the review and evaluation of the Fee Benchmarking report with the plan sponsor.

***Alternative Investments Performance Reporting Service.*** MSSB may provide institutional clients with alternative investments performance reporting. This is a non-discretionary service, and clients are responsible for executing participation agreements directly with each alternative investment. MSSB offers IS clients the ability to receive periodic reports that provide historical performance reporting of their alternative investments that were not purchased through MSSB, are not held in custody by MSSB and are not researched by MSSB. The alternative investment historical performance information provided by this service is based upon information provided, directly or indirectly, to MSSB by the issuer of the alternative investment, or by its sponsor, investment manager, administrator ("Performance Reporting AI"). MSSB's ability to provide historical or other performance reporting on alternative investments is dependent upon its ability to obtain such information from each Performance Reporting AI.

The performance reporting service enables the client to receive from MSSB periodic reports containing the Client's historical performance information as reported by the applicable Performance Reporting AI. Client may also receive composite reports that show historical performance of alternative investments as reported by the Performance Reporting AI, along with historical or other performance information on other investments that were/are acquired through MSSB, are held in custody by MSSB or are followed by MSSB research.

The performance information provided in a periodic performance review is based on information provided to MSSB by the Performance Reporting AI and is not independently verified by MSSB. MSSB shall not be liable for any misstatement or omission made by the Performance Reporting AI nor for any loss, liability, claim, damage or expense arising out of such misstatement or omission.

This reporting service is not intended to constitute investment advice or a recommendation by MSSB of any alternative investment and MSSB is not evaluating the appropriateness of the initial investment or the continued investment in the alternative investments reported on as part of this service. In addition, the service does not constitute, create or impose a fee-based brokerage relationship, a fiduciary relationship or an investment advisory relationship under the Investment Advisers Act of 1940, as amended, with regard to the investments covered under this service. If the Client is an employee benefit plan or is otherwise subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), MSSB is **NOT** acting as a fiduciary (as defined in ERISA) with the respect to the provision of these reporting services as described herein). MSSB is not responsible for and will not provide tax reporting with respect to any alternative investment reported on under this service.

MSSB does not normally maintain custody of alternative investments as reported by on under this service and therefore such investments are not included under MSSB's SIPC coverage.

The fee charged to the client for this service does not include any fee or charge for other services in connection with the client's participation in any alternative investment. Clients are solely responsible for such arrangements.

***Asset/Liability Analysis Services*** MSSB works with third party vendors, whose proprietary asset/liability modeling software is used to generate customized asset liability studies for defined benefit plan clients. The asset/liability analysis service provides certain cash flow modeling, liability funding analysis and funding strategies including custom contribution policies.

### General Description of All Programs

Unless specified otherwise, this section discusses various general matters applying to the program described in this brochure.

### Account Opening

To enroll in any program described in this brochure, you must enter into the program client agreement ("Client Agreement").

### Restrictions

The Client may impose reasonable restrictions on account investments. For example, you may restrict MSSB or the managers from buying specific securities, a category of securities (e.g., tobacco companies) or Fund shares. If you restrict a category of securities, we or the manager will determine which specific securities fall within the restricted category. In doing so, we or the manager may rely on research provided by independent service providers). Any restrictions you impose on individual securities have no effect on Fund holdings since Funds operate in accordance with the investment objectives and strategies described in their prospectuses.

### Trade Confirmations, Account Statements and Performance Reviews

Unless you have appointed another custodian in a program where you may do so, MSSB is the custodian and provides you with written confirmation of securities transactions, and account statements at least quarterly. You may waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication where available. You may also receive Fund prospectuses, where appropriate. MSSB services are also provided to clients who engage third-party custodians.

We provide performance monitoring to clients with a frequency as requested by the client.

### Consulting Group Trust Services

The programs described in this brochure may offer fully integrated wealth management solutions, which may include trusts. MSSB does not accept nor will it act as a trustee (an MSSB affiliate, such as Morgan Stanley Private Bank, National Association, may be serving as trustee for existing accounts and is closed to new accounts). In order to offer to you complete solutions, MSSB has created the Consulting Group Trust Services Program ("CG Trust Services") with external trust companies (including external banks which may serve as a corporate trustee) to provide trustee services for the assets in your account while you receive investment advisory services from MSSB.

To receive trustee services through CG Trust Services, you and your attorney will create separate agreements with an external trust company to govern the trust and you will appoint a trustee to act on your behalf; in certain situations, you may appoint separate administration and investment trustees. You or your designees will sign these separate agreements and may pay a separate fee to your attorney. External trust companies and MSSB typically charge separate fees to CG Trust Services client accounts for their respective services, which may be higher than fees charged to clients outside of the CG Trust Services Program for comparable services. In certain limited circumstances, MSSB will compensate an external trust company for the services it provides to a client account. Neither MSSB nor your Financial Advisor will be paid by the external trust company. In certain circumstances, MSSB or an affiliate may pay compensation to or receive an indirect economic benefit from an unrelated third party (see: "Client Referrals and Other Compensation", Item 9 below).

As part of CG Trust Services, you or your selected trustee, with investment authority, may delegate investment discretion directly to MSSB or receive non-discretionary investment advisory services through the programs offered by Consulting Group. Additionally, certain external trust companies have contractually agreed to attempt to use the services (including MSSB custody services) described in this brochure for each CG Trust Services client (and in some cases, former CG Trust Services clients), unless the client has issued contrary instructions, and so long as such use of MSSB services will not cause the external trust company to violate any duty or obligation. Consequently, regardless of the external trust company you select, unless you have appointed another custodian, you can hold your assets in custody at MSSB through CG Trust Services. Accounts outside of CG Trust Services may be subject to different custody arrangements. MSSB has made arrangements to have a number of external trust companies participate in CG Trust Services, as described above. While these arrangements are designed to enhance the administrative and operational experience of clients who appoint such an external trust company and MSSB to service the same assets, these arrangements could pose a conflict of interest for MSSB and its representatives by creating an incentive for them to introduce their clients to those external trust companies who have such arrangements with CG Trust Services over other external trust companies.

The decision to participate in CG Trust Services and the selection of the trustee and attorney are your decision and responsibility. MSSB and its affiliates do not provide tax and legal advice (see: "Tax and Legal Considerations", Item 4(A) below). For additional information and to determine eligibility, please contact your Financial Advisor.

## Risks

All trading in an account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed, and MSSB's or a Financial Advisor's past performance with respect to other accounts does not predict future performance with respect to any particular account. In addition, certain investment strategies that Financial Advisors may use in the program have specific risks, including those associated with investments in common stock, fixed income securities, American Depositary Receipts, and Funds. You should consult with your Financial Advisor regarding the specific risks associated with the investments in your account.

***Risk Relating to ETFs.*** There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETF's publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF's returns also may diverge from the benchmark it is designed to track.

***Risks Relating to Money Market Funds.*** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below $1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

***Risks Relating to Alternative Investments.*** Alternative investments have different features and risks from other types of investment products. As further described in the offering documents of any particular alternative investment, an investment in alternative investments can be highly illiquid, is speculative and not suitable for all investors. For example, alternative investment products may place substantial limits on liquidity and the redemption rights of investors, including only permitting withdrawals on a limited periodic basis and with a significant period of notice and may impose early withdrawal fees. Investing in alternative investments is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging, shortselling, or other speculative practices; lack of liquidity, in that there may be no secondary market for the fund and none expected to develop; volatility of returns; restrictions on transferring interests in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and advisor risk. Alternative investment products may also have higher fees (including multiple layers of fees) compared to other types of investments.

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. For more details on these and other features and risks, please carefully read the documentation (including risk disclosures) relating to any selected Investment Option, as well as your client agreement.

***Risks Relating to Differing Classes of Securities.*** Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

## Tax and Legal Considerations

Neither MSSB nor any of our affiliates provide tax or legal advice and, therefore, are not responsible for developing, implementing or evaluating any tax strategies that may be employed by the client. The client should develop any such strategies or address any legal or tax-related issues with a qualified legal or tax adviser.

### Fees

#### Fees for the Institutional Services Program

*Asset Based Fee.* The fees for IS are negotiable and may vary based on a number of factors such as account size, account type, historical or projected nature of trading for the account, and the number and range of advisory services to be provided to the account. The fee schedule for the IS program is as follows:

| | |
|---|---|
| First $5 million of assets | 1.35% |
| Next $5 million of assets | 0.80% |
| Next $15 million of assets | 0.40% |
| Next $25 million of assets | 0.30% |
| Next $50 million of assets | 0.20% |
| Next $100 million of assets | 0.10% |
| Over $200 million of assets | 0.05% |

The minimum account size is generally $10 million.

*Hard Dollar Fee.* In addition, clients may select any of the services listed below subject to the following minimum fees for each and an overall minimum engagement fee of $15,000. For historical analysis the fee is $2,500 per portfolio per year. For investment policy statements, the initial fee is $5,000 and updates are $2,500. For strategic asset allocation studies, the initial fee is $7,500 and updates are $2,500. Active asset allocation only is provided for an ongoing retainer of $10,000 per year. The fee for an asset liability analyses is $15,000 per year. Clients may contract directly with third party vendors for an asset liability analyses in which case MSSB will not commit to this service contractually or charge an additional fee. Manager searches are $5,000 per search. Performance measurement services are provided for an on-going retainer of $2,000 to $5,000 per year and $1,000 to $2,000 per year for combined accounts.

*Fees for Alternative Investments Performance Reporting.* The market value of the alternative investments shall be based on the then currently available market value, estimated or actual for purposes of calculating fees for this service, as reported by Performance Reporting AI and shall be payable in advance. MSSB does not independently verify such information. The fee shall not be charged on committed, but not yet funded, investments. The fee on the first $5 million of assets is 0.25%; the fee on the next $5 million of assets is 0.11%; the fee on the next $15 million of assets is 0.10%; the fee on the next $25 million of assets is 0.09%; the fee on the next $50, million of assets is 0.05%; the fee on the next $100 million of assets is 0.045%; and fee on assets in excess of $200 million is negotiable.

#### Participant-Directed Retirement Plans

*Asset Based Fee.* The fees for traditional Institutional Consulting Services are negotiable and subject to a minimum fee per relationship. Fees may be charged quarterly and in advance or in arrears and may be based on a number factors. Factors include the size of the account and the number and range of advisory and client related services to be provided. The standard asset based fee schedule for participant directed retirement plans is as follows:

For accounts with $1-$5 million in assets the maximum fee is 0.60% and the minimum fee is 0.50%.

For accounts with $5-$10 million in assets the maximum fee is 0.60% and the minimum fee is 0.40%.

For accounts with greater than $10 million in assets the following fee schedule applies with a minimum fee of $25,000.

| Account Asset Value | Annual Fee |
|---|---|
| On the first $5,000,000 | 0.60% |
| On the next $5,000, 000 | 0.40% |
| On the next $15,000,000 | 0.25% |
| On the next $25,000,000 | 0.15% |
| On the next $50,000,000 | 0.08% |
| On the next $100,000,000 | 0.05% |
| Over $200,000,000 | negotiable |

*Hard Dollar Fee.* In addition, the client may select any of the following services subject to the minimum fees set forth and an overall minimum engagement fee of $25,000. Fees may be charged in arrears or in advance. For investment policy statements the minimum fee is $5,000 initially and $2,500 for updates. For asset allocation analysis the minimum fee is $7,500 initially and $3,000 for updates. For mutual fund searches the minimum fee is $5,000. For performance measurement the fee is $2,000 to $5,000 per fund charged in the form of an annual retainer only. For generic participant education the fee is $1,500 per day (please note that participant education is not intended to be a stand alone service and will be offered in addition to a full consulting assignment. Participant education can be included as part of the overall asset-based fee or separately at the $1,500 per day rate).

In addition, fees for other services provided to participant directed programs are as follows:

- *Provider Search Assistance Fee.* For single service engagements, a plan can be charged a one-time fee of $5,000 - $30,000 which will be billed upon completion of the service. For on-going consulting engagements, Provider Search Assistance fees may be charged in addition to the overall institutional services asset-based and/or hard dollar fee, as listed above.

- *Fee Benchmarking Fee.* For single service engagements, a plan can be charged a one-time fee of $3,500 - $15,000 which will be billed upon completion of the service. For on-going consulting engagements, Fee Benchmarking fees may be charged in addition to the overall institutional services asset-based and/or hard dollar fee, as listed above.

*Manager Assessment Program ("MAP").* The Manager Assessment Program is usually made available as part of, and within the fee structure of, the Institutional Services program.

In certain instances, clients may engage MSSB to provide the Manager Assessment Program on a standalone basis, in which case the schedule of fees shall be 1.35% on the first $5 million of assets; .80% on the next $5 million of assets; .40% on the next $15 million of assets; .30% on the next $25 million of assets; .20% on the next $50 million of assets and .10% on the next $100 million of assets. Fees on assets in excess of $200 million are negotiable. In such instances, the clients' fees to MSSB cover its services in reviewing and recommending investment managers as well as the custody of securities and trade execution. Clients bear the cost of commissions or other transaction charges with respect to securities trades directed by the investment manager to firms other than Citi or MSSB for execution. The client also pays separate fees to the investment manager employed. Transactions in fixed income and certain other securities may involve dealer mark-ups or mark-downs or other charges in addition to the asset-based fees. To the extent investment managers direct trades in such securities to MSSB for execution, Citi, MSSB and their affiliates may realize profits or losses in connection with such trades that are separate from or additional to the fees paid by the client but will not charge the client any mark-up or mark-down. See "Additional Fees (item 4C). MAP managers may enter into "prime brokerage" arrangements with MSSB and its affiliates; in which case such managers may pay additional compensation to MSSB and its affiliates in consideration for such services. However, clients of such managers will not be charged any amount in addition to the manager fee and the fees or commissions charged by MSSB.

**General Fee Information**

Generally, fees for the programs described in this brochure are based on the size of the account (assets under management) and are negotiable based on a number of factors including the type and size of the account and the range of services provided by MSSB. In special circumstances, and with the client's agreement, the fee charged to a client for an account may be more than the annual fees stated in the above section.

The fee is payable as described in the Client Agreement. Generally, unless specified to the contrary, for asset-based fees, the initial fee is due in full on the date you open your account at MSSB and is based on the market value of the account on that date. The initial fee payment covers the period from the opening date through (at your election) the last business day of the current quarter or the next full calendar quarter and is prorated accordingly. Thereafter, the fee is paid quarterly in advance based on the account's market value on the last business day of the previous calendar quarter and is due the following business day. Unless the client elects to hold assets in custody at an outside custodian, the Client Agreement authorizes us to deduct fees when due from the assets contained in the account. If client elects a third party custodian, the client has the option of paying us directly or we can bill the custodian. Unless stated otherwise, generally for hard dollar fees, fees will be payable in advance.

You may terminate participation in the programs described in this brochure at any time by giving written notice to MSSB. MSSB may (but is not obligated to) accept an oral notice of termination from you in lieu of the written notice. If participation in any of the programs described in this brochure is terminated, any advisory fees paid in advance will be refunded on a pro-rata basis.

***Accounts Related for Billing Purposes.*** When two or more investment advisory accounts are related together for billing purposes, you can benefit even more from existing breakpoints. If you have two accounts, the "related" fees on Account #1 are calculated by applying your total assets (i.e. assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, you may have a greater proportion of assets subject to lower fee rates, which in turn lowers the average fee rate for Account #1. This average fee rate is then multiplied by the actual amount of assets in Account #1 to determine the dollar fee for Account #1. Likewise, the total assets are applied to the Account #2 breakpoints to determine the average fee rate for Account #2, which is then multiplied by the actual amount of assets in Account #2 to determine the dollar fee for Account #2.

Only certain accounts may be related for billing purposes, based on the law and MSSB's policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be related if this is specifically agreed between you and the Financial Advisor.

**Payments from Investment Managers**

Investment managers participating in MSSB-sponsored internal training and education conferences and meetings may make certain payments to, or for the benefit of, MSSB or its Financial Advisors to offset expenses incurred for these events. A schedule of these registration fees is available upon request from your Financial Advisor.

While all fund families are provided with sponsorship opportunities, certain fund families (referred to as "Global Partners") dedicate significant financial and staffing resources to these activities and may receive additional opportunities to sponsor firm events and to promote their own funds to Financial

Advisors and clients instead of funds from those fund families that do not commit similar resources to educational, marketing and other promotional events. MSSB selects the fund families that are Global Partners based on a number of quantitative and qualitative criteria.

Investment managers may also sponsor their own educational conferences and pay expenses of Financial Advisors attending these events; MSSB's policies require that the training or education portion of these events comprises substantially the entire event. Investment managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Investment managers are allowed to occasionally give nominal gifts to Financial Advisors and to occasionally entertain Financial Advisors subject to a limit of $1,000 per employee per year. MSSB's non-cash compensation policies set conditions for each of these types of payments, and they do not permit any gifts or entertainment conditioned on the achievement of a sales target.

None of these amounts relate to any particular transaction or investment made by MSSB clients with investment managers. An annual estimate of the aggregate value of these amounts paid or provided by the investment managers to MSSB or to Financial Advisors may be provided, upon request, to clients. Investment managers participating in the programs described in this brochure are not required to make any of these types of payments.

***ERISA Fee Disclosure for Qualified Retirement Plans.*** In accordance with new Department of Labor regulations under Section 408(b)(2) of ERISA, effective July 1, 2012, MSSB is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those retirement plans that are subject to the requirements of ERISA in assessing the reasonableness of their plan's contracts or arrangements with us, including the reasonableness of our compensation. This information (the services we provide as well as the fees) is provided to you at the outset of your relationship with us and is set forth in your advisory contract with us (including the Fee table, other exhibits and, as applicable, this document), and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

## B. Comparing Costs

Cost comparisons are difficult because a particular service may not be offered in other CG programs. Depending on the level of trading and types of securities purchased or sold in your account, if purchased separately, you may be able to obtain transaction execution at a higher or lower cost at MSSB or elsewhere than the fee in these programs. However, such transactions could not be executed on a discretionary basis in a brokerage account. In addition, CG offers other programs where discretionary portfolio management is provided by third party investment managers and the fees in those programs may be higher or lower than the fees in these programs.

You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs.

## C. Additional Fees

If you open an account in one of the programs described in this brochure, you will pay us an asset-based fee for investment advisory services, custody of securities and trade execution with or through MSSB. The program fees do not cover:

- the costs of investment management fees and other expenses charged by Funds (see below for more details)
- "mark-ups," "mark-downs," and dealer spreads (A) that MSSB or its affiliates may receive when acting as principal in certain transactions where permitted by law or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through MSSB and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity)
- brokerage commissions or other charges resulting from transactions not effected through MSSB or its affiliates
- MSSB account establishment or maintenance fees for its Individual Retirement Accounts ("IRA") and Versatile Investment Plans ("VIP"), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

**Funds in Advisory Programs**

Investing in Funds may be more expensive than other investment options offered in your advisory account. In addition to our fee, you pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund's share price. These fees and expenses are an additional cost to you and are not included in the fee amount in your account statements. Each mutual fund and ETF expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the mutual fund's or ETF's most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of mutual funds in programs described in this brochure. However, some mutual funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses.

***Payments from Funds for Non-Retirement Plan Clients.*** For clients who are not Retirement Plans (as defined below) and choose to hold their assets in custody at MSSB, MSSB receives payments from mutual fund companies whose open-end mutual funds are offered through the programs described in this brochure, of up to 0.16% of the assets of such mutual funds that are held by MSSB clients at MSSB. As described in greater detail below, the participation fee is paid by fund companies primarily to compensate us for providing services that the fund company would otherwise have to provide itself. However, a portion of the participation fee may be considered as "revenue sharing." These payments are separate from, and do not impact, the fee that clients pay to us. They are paid directly from the mutual fund or its advisor or distributor to MSSB. Moreover, MSSB Financial Advisors do not receive any additional compensation as a result of these payments.

A substantial portion of the participation fee compensates us for services that we perform on behalf of the fund sponsor or company. These services are generally sub-accounting and recordkeeping functions such as aggregating and processing purchases, redemptions and exchanges of fund shares; delivery of disclosure documents; processing of dividend distributions; tax reporting and other shareholder or administrative services.
MSSB considers the portion of the fee that exceeds the amount that the fund company would otherwise charge internally for such services to be revenue sharing. Revenue-sharing payments are generally paid out of the fund's investment advisor's or other affiliate's revenues or profits and are not made from fund assets. However, fund affiliate revenues or profits may be in part derived from fees earned for services provided to and paid for by the fund. No portion of these revenue-sharing payments are made by means of brokerage commissions generated by the fund.

As a general matter, MSSB requires mutual fund companies to pay the participation fee to enable the fund company's funds to be made available through our advisory programs. There are limited exceptions in which fund companies pay us a participation fee of less than 0.16%. These exceptions create a potential conflict of interest in that MSSB could have an incentive to recommend a mutual fund from a family that pays the full participation fee. As noted above, Financial Advisors do not share in this fee and these payments do not increase the fees that clients pay to us.

This creates the potential for a conflict of interest because we may earn more revenue if we recommend a particular mutual fund as opposed to a different mutual fund or other Investment Product. Please note that our policy is that we do not ask our Financial Advisors to take this factor into account when recommending mutual funds. Moreover, Financial Advisors do not share in these payments from mutual fund companies, so there is no direct incentive for them to recommend one mutual fund company over another based on the amount of payments that MSSB receives.

These payments are not deducted from clients' accounts. MSSB receives these payments in addition to any fees that are paid to us by clients.

Mutual fund companies that do not agree to make these payments do not receive the same level of access to our firm.

MSSB does not receive such payments from mutual fund assets held by those clients that are qualified employee benefit plans, as defined under ERISA, individual retirement accounts ("IRAs") described in Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or a plan or other arrangement subject to fiduciary and prohibited transaction requirements of substantially similar state, local or foreign law (each, a "Retirement Plan").

***Client selection of MSSB affiliated funds.*** Where clients select to invest in mutual funds where the investment adviser is a MSSB affiliate, in addition to the program fee paid by clients, MSSB and its affiliates may also receive investment management fees and related administrative fees. Since the affiliated sponsor or manager receives additional investment management fees and other fees, MSSB has a conflict to recommend MSSB affiliated Funds.

For more information, please refer to the document "Mutual Fund Share Classes and Compensation", at http://www2.morganstanley.com/wealth/investmentsolutions/pdfs/MF_share_classes.pdf and also available from your Financial Advisor on request.

***Share classes.*** Fund companies typically offer different ways to buy mutual fund shares. In addition to the more broadly known retail share classes (A, B and C shares), fund companies have developed additional types of specialized share classes designed for specific advisory programs. If available, clients' shares are converted into the share class required by the mutual fund for that type of account. Depending on the circumstances, clients' shares are converted into a share class that has a lower or a higher expense ratio. Advisory share classes usually have a lower expense ratio than the share classes that MSSB previously offered in the program. However, we may continue to offer non-advisory share classes if, for example, there is no equivalent advisory share class available or we believe that the non-advisory share class is likely to be the most cost effective share class. Once we make an advisory share class available for a particular mutual fund, clients can only buy the advisory class shares (not the non-advisory class shares) of that mutual fund in the program.

If available, we (without notice to you) will convert any mutual fund in your account to a share class of the same mutual fund which is a load-waived or no-load share class such as an Institutional ("I") share or advisory program share. On termination of your account, or the transfer of mutual fund shares out of your advisory account into a MSSB brokerage account, we will convert any I shares and/or advisory shares to the corresponding non-advisory share class. The non-advisory mutual fund share class generally has higher operating expenses than the corresponding I and advisory share classes, which may negatively impact investment performance.

## Custody

***MSSB does not act as custodian.*** If you retain a custodian other than MSSB, your outside custodian will advise you of your cash sweep options and, as described in the Client Agreement, you will have the option of instructing us on whether you want the fee billed to you directly or to the outside custodian selected by you.

***MSSB acts as custodian.*** Unless you instruct us otherwise, MSSB will maintain custody of all cash, securities and other assets in the account and the following sections on cash sweeps will apply to you.

## Cash Sweeps

Generally, some portion of your account will be held in cash. If MSSB acts as custodian for your account, it will effect "sweep" transactions of uninvested cash and allocations to cash, if any, in your account into:

- interest-bearing bank deposit accounts ("Deposit Accounts") established under the Bank Deposit Program ("BDP") or

- money market mutual funds (each, a "Money Market Fund" and, together with BDP Deposit Accounts, "Sweep Investments"). The Money Market Funds are managed by Morgan Stanley Investment Management Inc. or another MSSB affiliate.

If you do not select a Sweep Investment when you open your account, your Sweep Investment will be BDP if you are eligible.

Clients that are considered Retirement Plans or Coverdell Education Savings Accounts should read the Exhibit to this brochure ("Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement").

The custodian will effect sweep transactions only to the extent permitted by law and if you meet the Sweep Investment's eligibility criteria.

***Bank Deposit Program.*** Through the Bank Deposit Program, Deposit Accounts are established for you at one or more of the following banks (individually and collectively, the "Sweep Banks"): (i) Morgan Stanley Bank, N.A. and/or (ii) Morgan Stanley Private Bank, National Association. The Sweep Banks are affiliated with MSSB. The Sweep Banks pay interest on the Deposit Accounts established under the BDP. Your deposits at the Sweep Banks will be insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits, in accordance with FDIC rules, and subject to aggregation of all the accounts (including, without limitation, certificates of deposit) that you hold at the Sweep Banks in the same capacity. Bank deposits held through the BDP are not covered by SIPC or excess coverage.

If BDP is your Sweep Investment, you authorize us, as your agent, to establish the Deposit Accounts for you, and to make deposits into, withdrawals from and transfers among the Deposit Accounts.

Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which will be provided to you upon your first investment in the Bank Deposit Program. You may also obtain the Bank Deposit Program Disclosure Statement as well as current interest rates applicable to your account, by contacting your Financial Advisor or through MSSB's website at www.morganstanley.com/wealth/services/bankdepositprogram.asp. We may amend the list of Sweep Banks at any time with or without notice to you. If you are participating in the Bank Deposit Program, please read the Bank Deposit Program Disclosure Statement carefully.

Please note the following: (i) you are responsible to monitor the total amount of deposits you have at each Sweep Bank in order to determine the extent of FDIC insurance coverage available to you; and (ii) MSSB and its affiliates are not responsible for any insured or uninsured portion of your deposits at any of the Sweep Banks.

If BDP is your Sweep Investment, you should be aware that, each Sweep Bank will pay MSSB a fee equal to the percentage of the average daily deposit balances in your Deposit Account at the Sweep Banks. Your Financial Advisor will not receive a portion of these fees or credits. In addition, MSSB will not receive cash compensation or credits in connection with the BDP for assets in the Deposit Accounts for Retirement Plans or Coverdell Education Savings accounts. Also, the affiliated Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSSB earns on affiliated Money Market Funds. Thus, MSSB has a conflict of interest in selecting or recommending BDP as the Sweep Investment, rather than an eligible Money Market Fund.

Unless otherwise specifically disclosed to you in writing, such as in connection with the Bank Deposit Program noted above, investments and services offered through MSSB are not insured by the FDIC, are not deposits or other obligations of, or guaranteed by, the Sweep Banks, and involve investment risks, including possible loss of the principal invested.

***Money Market Funds.*** We may, in our sole discretion, offer Money Market Funds as Sweep Investments. The Money Market Funds are affiliated with MSSB. You understand that purchases and redemptions of Money Market Fund shares may be effected only through MSSB and that you may not directly access the Money Market Fund.

If a Money Market Fund is your Sweep Investment, you authorize us, as your agent, to make investments in, and redemptions from, the Money Market Fund.

Each of these Money Market Funds is a separate investment with different investment objectives. Their fees, expenses, minimum investment requirements, dividend policies and procedures may vary. Before you invest in any Money Market Fund, read its prospectus carefully. Money Market Fund shares are neither insured nor protected by the FDIC. Investment in any money market fund is a purchase of securities issued by the money market fund, not a bank deposit.

Certain of the Money Market Funds described above have minimum investment requirements. In addition, MSSB may require a minimum initial investment to activate some or all of the Sweep Investments. If you do not meet the minimum initial investment, uninvested cash and allocations to cash in eligible accounts will be invested in the BDP.

In addition, certain of the Money Market Funds have minimum balance requirements. For eligible accounts, if your investment falls below the minimum balance requirement, MSSB may redeem and reinvest all of your shares in the BDP. Once your sweep option has been changed, we will not automatically change it back to your previous Sweep Investment even if you meet the minimum initial investment and/or balance requirements. You must contact your Financial Advisor to do so. However, if a pattern develops of falling below the minimum balance requirement, we may preclude you from investing in that Sweep Investment in the future.

We may offer other money market funds as a non-sweep investment choice. You may purchase shares in these money market funds by giving specific orders for each purchase to your Financial Advisor. However, uninvested cash in your account will not be swept into these money market funds.

Since the Money Market Funds are sponsored or managed by MSSB affiliates, those MSSB affiliates receive advisory fees and may receive other fees from the Money Market Funds if your account cash balances are invested in the Money Market Funds. Therefore, MSSB has a conflict of interest in selecting or recommending the Money Market Funds as your Sweep Investment **For Retirement Plans with cash balances invested in Money Market Funds sponsored or managed by MSSB affiliates, certain fees received and retained by such MSSB affiliates will be credited to the account or offset against the advisory program fee. Please see the attached Exhibit "Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement" for more details.**

The above provisions may not apply if you are not a U.S. resident. If you are not a U.S. resident, please contact your Financial Advisor to determine whether the BDP or a Money Market Fund will be your default Sweep Investment.

### D. Compensation to Financial Advisors

If you invest in one of the programs described in this brochure, a portion of the fees payable to us in connection with your account is allocated on an ongoing basis to Financial Advisors. The amount allocated to your Financial Advisor in connection with accounts opened in programs described in this brochure may be more than if you participated in other MSSB investment advisory programs, or if you paid separately for investment advice, brokerage and other services. Your Financial Advisor may therefore have a financial incentive to recommend one of the programs in this brochure instead of other MSSB programs or services.

If you invest in one of the programs described in this brochure, MSSB may charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisor have a financial incentive not to reduce fees.

## Item 5: Account Requirements and Types of Clients

MSSB offers its services under this brochure to corporations, Taft Hartley funds, endowments, and foundations, public and private retirement plans funds including 401(k) plan sponsors, family offices and high net worth individuals.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Selection and Review of Portfolio Managers and Funds for the Programs

In IS we offer a wide range of investment products (including managers, mutual funds and ETFs) that we have selected and approved. This Item 6.A describes more generally how we select and terminate Investment Options from these programs. If managers have more than one strategy, we may include only some of those strategies in the programs described in this brochure, may carry different strategies in different programs, and assign different statuses to different strategies. Please refer to the discussion in Item 4 A. for a complete description of the programs.

**Consulting Group Investment Advisor Research**

Our Consulting Group Investment Advisor Research department ("CG IAR") evaluates Investment Products. CG IAR may delegate some or all of its functions to an affiliate or third party. Investment Products may only participate in the FS or CES programs if they are on CG IAR's Focus List or Approved List discussed below. You may obtain these lists from your Financial Advisor. In each program, only some of the Investment Products may be available.

As well as requiring Investment Products to be on the Focus List or Approved List, we look at other factors in determining which Investment Products we offer in these programs, including:

- program needs (such as whether we have a sufficient number of Investment Products available in an asset class)
- client demand and
- the manager's or Fund's minimum account size.

We automatically terminate Investment Products in the CES and FS programs if CG IAR downgrades them to "Not Approved." We may terminate Investment Products from these programs for other reasons (e.g., the Investment Product has a low level of assets under management in the program, the Investment Product has limited capacity for further investment, or the Investment Product is not complying with our polices and procedures).

***Focus List.*** To be considered for the Focus List, Investment Products provide CG IAR with relevant documentation on the strategy being evaluated, which may include sample portfolios, asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. For verification purposes, as part of the review process CG IAR may compare the manager's/Fund's reported performance with the performance of a cross-section of actual accounts calculated by

CG IAR. CG IAR personnel may also interview the manager or Fund and its key personnel, and examine its operations. Following this review process, Investment Products are placed on the Focus List if they meet the required standards for Focus List status.

CG IAR periodically reviews Investment Products on the Focus List. CG IAR considers a broad range of factors (which may include investment performance, staffing, operational issues and financial condition). Among other things, CG IAR personnel interview each manager or Fund periodically to discuss these matters. If CG IAR is familiar with a manager or Fund following repeated reviews, CG IAR is likely to focus on quantitative analysis and interviews and not require in-person meetings. CG IAR may also review the collective performance of a composite of the MSSB accounts managed by a manager/Fund and compare this performance to overall performance data provided by the manager/Fund, and then investigate any material deviations.

***Approved List.*** The process for considering Investment Products for the Approved List is less comprehensive, and evaluates various qualitative and quantitative factors. These may include personnel depth, turnover and experience; investment process; business and organization characteristics; and investment performance. CG IAR may use an algorithm – a rules-based scoring mechanism – that reviews various qualitative and quantitative factors and ranks each Investment Product in a third party database. (Not all Investment Products reviewed for the Approved List are subject to this algorithm.) CG IAR analysts analyze the information contained in the algorithm to gauge the completeness and consistency of the data which drive the rankings, and then send the manager or Fund additional information requests. CG IAR then determines whether the Investment Product meets the standards for Approved List status. Furthermore, CG IAR may evaluate an Investment Product under the evaluation process for the Focus List but then decide to instead put it on the Approved List.

CG IAR periodically evaluates Investment Products on the Approved List to determine whether they continue to meet the Approved List standards.

***Changes in Status from Focus List to Approved List.*** In light of the differing evaluation methodology and standards for the Focus List and Approved List, CG IAR may determine that an Investment Product no longer meets the criteria for the Focus List or will no longer be reviewed under the Focus List review process, but meets the criteria for the Approved List. If so, MSSB generally notifies program clients regarding such status changes on a quarterly basis.

***Changes in Status to Not Approved.*** CG IAR may determine that an Investment Product no longer meets the criteria under either evaluation process and therefore the Investment Product will no longer be recommended in MSSB investment advisory programs. We notify affected clients of these downgrades. You cannot retain a downgraded manager or Fund in your accounts and must select a replacement from the Approved List or Focus List, that is available in the program, if you wish to retain the program's benefits in respect of the affected assets.

In some circumstances, you may be able to retain terminated Investment Products in another advisory program or in a brokerage account subject to the regular terms and conditions applying to that program or account. Ask your Financial Advisor about these options.

MSSB generally specifies a replacement Investment Product for a terminated Investment Product in FS (as discussed in Item 4.A above). In selecting the replacement Investment Product, CG IAR generally looks for an Investment Product in the same asset class, and with similar attributes and holdings to the terminated Investment Product. The replacement Investment Product will typically be on the Focus List.

***Watch Policy.*** CG IAR has a "Watch" policy for Investment Products on the Focus List and Approved List. Watch status indicates that, in reviewing an Investment Product, CG IAR has identified specific areas of the manager's or Fund's business that (a) merit further evaluation by CG IAR and (b) may, but are not certain to, result in the Investment Product becoming "Not Approved." Putting an Investment Product on Watch does not signify an actual change in CG IAR opinion nor is it a guarantee that CG IAR will downgrade the Investment Product. The duration of a Watch status depends on how long CG IAR needs to evaluate the Investment Product and for the Investment Product to address any areas of concern. For additional information, ask your Financial Advisor for a copy of CG IAR's Watch Policy.

***Tactical Opportunities List.*** CG IAR also has a Tactical Opportunities List. This consists of certain Investment Products on the Focus List or Approved List recommended for investment at a given time based in part on then-existing tactical opportunities in the market.

***Other Relationships with Managers and Funds.*** Some managers and Funds on the Approved List or Focus List may have business relationships with us or our affiliates. For example, a manager or Fund may use MS&Co. or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. CG IAR does not consider the existence or lack of a business relationship in determining whether to include or maintain a manager or Fund on the Approved List or Focus List.

**Graystone Mutual Fund Due Diligence**

In addition to the Funds reviewed by CG IAR, certain Financial Advisors offering institutional services may offer clients access to additional Funds reviewed by Graystone (Graystone Consulting is a division of MSSB.)

Select Graystone teams conduct due diligence on Funds using information provided by Funds' investment managers or outside independent databases, all unaffiliated with MSSB.

The Graystone team conducts both quantitative screening and a qualitative assessment. It starts by sending the Fund a request for information ("RFI") substantially similar to the one used by the MSSB mutual fund area in determining which Funds to bring on the MSSB platform. After reviewing the information it receives in response to the RFI, the team reviews the Fund's performance, speaks with Fund managers, and gathers information through an additional RFI and manager material.

The Graystone Director of Institutional Investments reviews the due diligence for completeness. Funds are then either approved or not approved for use in the Institutional Consulting Services programs. Currently, the approved Funds are:

1. Nuveen High Yield Municipal Bond Fund (NHMBX),
2. Ivy High Income Fund (IVHIX),
3. FPA Contrarian Strategy/FPA Crescent Fund (FPACX),
4. DoubleLine Capital LP (DBLTX), and
5. Wintergreen Fund (WGRNX).

Graystone generally conducts periodic follow-up due diligence on approved Funds.

**MAP Due Diligence**

Select Graystone and Morgan Stanley Private Wealth Management ("PWM") teams may approve a manager through the Graystone Manager Assessment Program or the PWM Manager Assessment Program. (PWM is a division of MSSB.)

The reviewing team uses a proprietary tool that assesses all separate account managers in a third party database to narrow the list of potential investment managers for consideration. It then generally conducts further analysis on managers, focusing on qualitative factors (e.g., quality of investment professionals and the manager's investment process).

If the manager is being reviewed by a Graystone team, the Graystone Director of Institutional Investments reviews the due diligence for completeness. If the manager is being reviewed by a PWM team, the Research Management Committee also reviews and, if appropriate, approves the manager. (The Research Management Committee reviews certain products made available in Consulting Group programs.) Once a manager has been approved by either reviewing team, it is available for Graystone Consulting, PWM MAP and certain other clients.

The reviewing team generally conducts periodic follow-up due diligence on approved managers (including follow-up interviews with the manager).

**For Participant-Directed Plans**

In addition to the mutual funds and ETFs that appear on the Focus List and Approved List of CG IAR described above, for clients in the Institutional Services program for participant directed retirement plans, funds may be "approved" for the program in an alternate manner, as well. MSSB applies a proprietary screening process to funds in the Morningstar mutual fund database, which it applies in part using third party software. The screening algorithm, applied quarterly, is based on factors such as performance, ranking, stewardship grade, fees and manager tenure. Funds subject to this process are either approved or not approved for use in the Institutional Services program for participant directed retirement plans. MSSB does not maintain a Watch List for these funds equivalent to CG IAR's Watch List.

**Selection of Alternative Investments**

Managers may only participate in the IS program if they are on MSSB's Alternatives Approved List (described below). Managers often offer more than one alternative investment and we may include only some of those alternative investments (or only certain share classes of such alternative investment) in our programs, may carry different alternative investments (or share classes) in different programs, and assign different statuses to different alternative investments.

As well as requiring alternative investments to be on the Alternatives Approved List or Approved List, we look at other factors in determining which alternative investments we offer in these programs, including program needs (such as whether we have a sufficient number of managers available in an asset class), and client demand.

In the programs, investment and business risk due diligence on alternative investments is provided by MSSB through (i) our Alternative Investments Research group ("AIR"), (ii) an affiliate of MSSB that may provide due diligence and monitoring services, or (iii) an independent consulting firm retained by MSSB that is also in the business of evaluating the capabilities of alternative investments. Any firm providing due diligence will generally follow a methodology similar to that used by AIR (described below) in reviewing such alternative investments.

On an ongoing basis, AIR analysts conduct both quantitative and qualitative research on potential candidates. Their research includes, among other things, a review of relevant documents, calls and meetings with the investment team, and an analysis of investment performance. Generally, although the process may be modified for a particular manager or alternative investment as AIR may deem appropriate, AIR also conducts on-site visits, review a separate business risk due diligence questionnaire and examine areas such as portfolio pricing, contingency planning, background checks on key principals and other items. Their research covers the alternative investment in question, not the investments in which that alternative investment may in turn invest. For example, for a fund of funds, AIR's research process is applied to the fund of funds, and not to each individual fund in which the fund of funds invests.

If a new alternative investment is viewed as an appropriate candidate by AIR or the firm providing due diligence, the vehicle is presented to an MSSB alternative investment product review committee ("AIPRC"). The AIPRC consists of senior MSSB representatives who are mandated to approve proposed candidates and reconfirm existing vehicles on a periodic basis. Once a new alternative investment is approved by the AIPRC, and all required due diligence materials are verified, it receives an "Approved" status, is placed on the Alternatives Approved List, a list of alternative investment vehicles in which qualified clients may invest, and is available for allocations to qualified clients on a placement and/or advisory basis. Certain Alternatives Investments on the Alternatives Approved List are available to qualified clients in the programs.

Ongoing monitoring of managers and investment vehicles on the Alternatives Approved List is provided by AIR or the firm which provided the original due diligence. In addition to manager-specific monitoring, the reviewer monitors overall market conditions in their specific strategies of expertise.

MSSB removes alternative investments from the programs if AIR, or the due diligence service provider responsible for coverage of the alternative investment downgrades the alternative investment to "Terminate". We may terminate managers from these programs for other reasons (e.g., the manager has a low level of assets under management in the program, the manager has limited capacity for further investment, or the manager is not complying with our policies and procedures). AIR's head of research can remove an alternative investment vehicle from the Alternatives Approved List without consulting the AIPRC, but all actions must be assessed by the AIPRC at the next meeting.

***Watch Policy.*** MSSB has a "Watch" policy for alternative investments on the Approved List. Watch status indicates that, in reviewing an alternative investment, AIR has identified specific areas related to the alternative investment, the manager of the alternative investment, or the markets in general that (i) merit further evaluation by AIR and (ii) may, but are not certain to, result in the removal of the alternative investment from the "Approved List". Putting an alternative investment on Watch does not signify an actual change in AIR opinion nor is it a guarantee that AIR will remove the alternative investment. The duration of a Watch status depends on how long AIR needs to evaluate the reason for the status change, which may include, among things, an evaluation of the markets, the alternative investment, and the manager of the alternative investment.

### Calculating Financial Advisors' Performance

In the programs described in this brochure, we calculate performance using a proprietary system.

Each month, MSSB's Performance Reporting Group reviews and tests certain client accounts with performance deviating from the average return of the applicable composite of accounts. It then reviews how performance was calculated for these accounts.

For alternative investments, AIR does not calculate composite manager performance in the programs. Neither MSSB nor a third party reviews performance information to determine or verify its accuracy or its compliance with presentation standards and therefore performance information may not be calculated on a uniform or consistent basis. Generally, the manager of the alternative investment determines the standards used to calculate performance data.

For alternative investments, valuations used for account statement purposes and billing purposes, and for any performance reports, are obtained from the manager of each selected Investment Option. These valuations (and any corresponding benchmark index values) may be estimates, may be several weeks old as of the dates MS&Co. produces your account statements/reports and calculates your fees and, in the case of index values, may be based on information from multiple sources. The final performance figures for the applicable period may be higher or lower, and MSSB is under no obligation to provide notice of, or compensation to, clients for any difference in performance.

If you invest in a fund of funds, your account documents may use the HFRI Fund of Funds as a benchmark. The FoF Composite consists of over 800 domestic and offshore funds of hedge funds that have at least $50 million under management or have been actively trading for at least 12 months. It is equally weighted on a fund by fund basis and fund assets are reported in USD on a net of fees basis. It is updated three times a month and the current month's and the prior three months' values are subject to change. MSSB is not obligated to notify you of any such changes. The FoF Composite values are likely to be more up-to-date than the data for the selected Investment Options for which it is the benchmark. You cannot invest in the FoF Composite. For more information see https://www.hedgefundresearch.com.

## B. Conflicts of Interest

***Advisory vs. Brokerage Accounts.*** MSSB and your Financial Advisor are likely to earn more compensation if you invest in a program described in this brochure than if you open a brokerage account to buy individual securities (although, in a brokerage account, you may not receive all the benefits of the programs described in the brochure). Financial Advisors and MSSB therefore have a financial incentive to recommend one of these programs described in this brochure. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

***Payments from Managers.*** Investment managers may sponsor their own educational conferences and pay expenses of Financial Advisors attending these conferences. MSSB's policies require that the training or educational portion of these conferences comprises substantially all of the event. Investment managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Investment managers are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors, subject to a limit of $1,000 per employee per year. MSSB's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on the achievement of a sales target.

These gifts and entertainment payments do not relate to any particular transactions or investment made by MSSB clients with mutual funds. On request, your Financial Advisor can provide you with an annual estimate of the aggregate value of these gifts and entertainment payments, if any, in respect of MSSB or your Financial Advisor.

Investment managers participating in a program are not required to make payments to MSSB for training, education conferences, meetings, gifts or entertainment.

***Payments from Managers of Alternative Investments.*** Managers of alternative investments offered in the programs described in this brochure may agree to pay us additional fees. We have a conflict of interest in offering alternative investments because we or our affiliates earn more money in your account from your investments in alternative investments than from other investment options. However, in cases where we receive a portion of the management fee paid by you to a manager of an alternative investment and we charge a program fee under the programs in this brochure, we credit such fee to your account. Also, we do not share this money with your Financial Advisor (i.e. the compensation we pay to your Financial Advisor is not affected by the payments we receive from the alternative investments). Therefore, your Financial Advisor does not have a resulting incentive to buy alternative investments in your account, or to buy certain alternative investments rather than other alternative investments in any of the programs in this brochure.

***Affiliate Acting as Portfolio Manager.*** Where permitted by law, (except for plan accounts), an affiliate of MSSB may have been selected to act as the manager for one or more your investments. Where this occurs, we or our affiliates earn more money than from other investment options. MSSB and the Financial Advisor are also likely to earn more compensation if you invest in a program described in this brochure than if you open a brokerage account to buy individual securities.

These relationships create a conflict of interest for us or our affiliates as there is a financial incentive to recommend the investments. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

***MSSB as Placement Agent.*** MSSB also acts a placement agent for certain alternative investments whereby such investments are available through MSSB on a non-advisory basis. When an alternative investment is purchased on a placement basis, different terms and conditions, including different fee arrangements, may apply. For example, when a client invests on a placement basis, they do not pay an ongoing advisory fee, however, they pay an upfront placement fee and the program manager receives a higher program participation fee which is shared with MSSB and its Financial Advisors. A Client investing on an advisory basis may pay higher fees, in the aggregate, than if such investment had been made on a placement basis.

***Different Advice.*** MSSB, MS&Co. and their affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your account.

***Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.*** MSSB, MS&Co. and their affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities held in client accounts. MSSB, the investment managers in its programs, MS&Co. and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MS&Co., MSSB and/or their affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, the trading of MSSB, a manager or their affiliates – both for its proprietary accounts and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest. We address this conflict by disclosing it to you.

***Trade Allocations.*** In certain cases, trades may be aggregated such that the securities are to be sold or purchased for more than one client in order to obtain favorable execution to the extent permitted by law. The Investment manager will then allocate the trade in a manner that is equitable and consistent with it's fiduciary duty to its clients (including pro rata allocation, random allocation or rotation allocation). Allocation methods vary depending on various factors (including the type of investment, the number of shares purchased or sold, the size of the accounts, and the amount of available cash or the size of an existing position in an account). The price to each client is the average price for the aggregate order.

***Services Provided to Other Clients.*** MSSB, MS&Co., investment managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that MSSB may recommend for purchase or sale by clients or are otherwise held in client accounts, and investment management firms in the programs described in this brochure. MS&Co., MSSB, investment managers and their affiliates receive compensation and fees in connection with these services. MSSB believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MS&Co., MSSB, investment managers and their affiliates or an affiliate performs investment banking or other services.

***Restrictions on Securities Transactions.*** There may be periods during which MSSB or investment managers are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MS&Co. or one of its affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, MSSB may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley Parent securities, and in certain related securities. These restrictions may adversely impact your account performance.

MSSB, the managers and their affiliates may also develop analyses and/or evaluations of securities sold in a program described in this brochure, as well as buy and sell interests in securities on behalf of its proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSSB will not disclose them to clients. MSSB may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSSB, investment managers and their affiliates are not obligated to effect any transaction that MSSB or a manager or any of their affiliates believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

***Research Reports.*** MS&Co. does business with companies covered by their respective research groups. Furthermore, MS&Co. and its affiliates and client accounts may hold a trading position (long or short) in the securities of companies subject to such research. Therefore, MS&Co. has a conflict of interest that could affect the objectivity of its research reports.

***Certain Trading Systems.*** MSSB may effect trades on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems"), including Trading Systems in which MSSB or its affiliates may have a direct or indirect ownership interest, or on which MSSB or its affiliates may have a board seat. In certain instances, MSSB and/or its affiliates may be deemed to control one or more of such Trading Systems based on the level of such ownership interest, and whether MSSB or its affiliates are represented on the board of such Trading Systems. If MSSB directly or indirectly effects client trades through Trading Systems in which MSSB or its affiliates have an ownership interest, MSSB or its affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers' orders, it is contemplated that MSSB will route certain customer order flow to its affiliates. Currently, MSSB and/or its affiliates (including affiliates of MS&Co.) own over 5% of the voting securities of certain Trading Systems, including BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly known as "BATS"); the entities that own and control the Block Interest Discovery System (commonly known as "BIDS"); MTS Portugal; iSWAP; ; The MuniCenter; Boston Options Exchange, LLC; Chi-X Global Holdings LLC; the entity that owns and controls Pure Trading (Canadian National Stock Exchange, or "CNSX"); NYSE Life US; OTC DerivNet; TradeWeb; and MARKIT. The Trading Systems on which MSSB trades for client accounts and in which MSSB or its affiliates own interests may change from time to time. You may contact your Financial Advisor for an up-to-date list of Trading Systems in which MSSB or its affiliates own interests and on which MSSB and/or MS&Co. trades for client accounts.

Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSSB and/or MS&Co. receives from one or more Trading System may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which MSSB and/or MS&Co. may directly or indirectly effect client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSSB or one of its affiliates or (ii) MSSB or one of its affiliates acting for its own proprietary accounts.

***Transaction-Related Agreements with MS&Co., Citi and Affiliates.*** In connection with creating the joint venture, certain agreements were entered into between or involving some or all of MSSB, MS&Co, Citi, CGM and their affiliates. Some of these agreements, including the following, remain in effect even though MSSB is now a wholly owned subsidiary of Morgan Stanley Parent:

- *Distribution.* An agreement that, in return for the payment of certain fees and expenses, MSSB will market and promote certain securities and other products underwritten, distributed or sponsored by MS&Co., Citi or their affiliates. MSSB has a conflict of interest in offering, recommending or purchasing any such security or other product to or for its investment advisory clients.
- *Investment Research.* An agreement that MS&Co. and CGM (or their applicable affiliates) will supply investment research prepared by their respective research groups to MSSB for its use. It is possible that MS&Co.'s research group, on the one hand, and Citi's research group, on the other hand, may reach different conclusions, and may make different recommendations, with respect to the same issuer or investment manager. This may, among other things, result in different investment decisions or recommendations regarding the same issuer or investment manager being made for or given to MSSB investment advisory clients.
- ***Affiliated Sweep Investments.*** MSSB has a conflict of interest in selecting or recommending BDP or Money Market Funds as the Sweep Investment. See Item 4.C above for more information.

## C. Financial Advisors acting as Portfolio Managers

### Description of Advisory Services

In the IS program, Financial Advisors do not act as portfolio managers. See Item 4.A above for a description of the services offered in the programs described in this brochure.

### Performance-Based Fees

The programs described in this brochure do not charge performance-based fees.

### Methods of Analysis and Investment Strategies

Financial Advisors in the programs described in this brochure may use any investment strategy when providing investment advice to you. Financial Advisors may use asset allocation recommendations of the MSSB Global Investment Committee as a resource but, if so, there is no guarantee that any strategy will in fact mirror or track these recommendations. Investing in securities involves risk of loss that you should be prepared to bear.

### Proxy Voting

MSSB does not offer proxy voting services to its clients in the IS program.

Unless the client authorizes a third party to vote proxies, we will forward to the client or the client's designee, any proxy materials that we receive for the account. We cannot advise you on any particular proxy solicitation.

We will not provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities held in your account, except to the extent required by law.

## Item 7: Client Information Provided to Portfolio Managers

MSSB has access to the information you provide at account opening.

## Item 8: Client Contact with Portfolio Managers

In the programs described in this brochure, you may contact your MSSB Financial Advisor at any time during normal business hours.

## Item 9: Additional Information

### Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, "MSDW" means Morgan Stanley DW Inc., a predecessor broker-dealer of MS&Co. and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and CGM are predecessor broker-dealer firms of MSSB.

- The National Association of Securities Dealers Inc. ("NASD") alleged that between October, 1999 and December, 2002, MSDW violated the non-cash compensation provisions of the NASD Conduct Rules (under which MSDW was prohibited from providing its Financial Advisors with non-cash compensation for sales of mutual funds and variable annuities that were not based on total sales and equal weighting). MSDW offered rewards to its Financial Advisors for sales of affiliated mutual funds in general, or particular affiliated mutual funds or certain variable annuities. By a Letter of Acceptance, Waiver and Consent ("LAWC") dated September 15, 2003, MSDW agreed to (1) fines totaling $2.25 million; (2) update its compliance systems and procedures; and (3) retain an independent consultant to review and make recommendations on MSDW's supervisory and compliance procedures.

- On April 28, 2003, the SEC filed a complaint alleging that MS&Co. violated certain NASD and New York Stock Exchange ("NYSE") Conduct Rules (collectively, the "Conduct Rules") by creating conflicts of interest for its research analysts with respect to investment banking activity, failing to adequately manage such conflicts, failing to ensure, in offerings where MS&Co. was the lead underwriter, that payments made to other broker-dealers for publishing research reports were disclosed by the issuers in the offering documents and the other broker-dealers in their research reports, and failing to supervise properly its research analysts, including with respect to the ratings, price targets and content of the reports of senior research analysts. Without admitting or denying the substantive allegations in the complaint, on October 31, 2003, MS&Co. consented to the entry of a final judgment that enjoined MS&Co. from violating the Conduct Rules and required it to make payments of $50 million for past conduct and allocate $75 million to fund independent research. In addition, MS&Co. agreed to a number of structural changes to the operations of its equity research and investment banking operations. Concurrently, MS&Co. also entered into a settlement with the NYSE, the NASD and the Attorney General of the State of New York with respect to the same conduct specified in the complaint. MS&Co. is also in the process of finalizing settlements with the other state and territorial securities administrators.

- In 2003, Salomon Smith Barney ("SSB"), now known as CGM, settled civil and regulatory actions brought by the SEC, the NYSE, the NASD, the Attorney General of the State of New York ("NYAG"), and state securities regulators, which alleged violations of certain federal and state securities laws and regulations, and certain NASD and NYSE rules, by SSB arising out of certain business practices concerning sell-side research during 1999 to 2001, and initial public offerings ("IPOs") during 1996 to 2000. The actions alleged, among other things, that SSB published fraudulent research reports, permitted inappropriate influence by investment bankers over research analysts, and failed to adequately supervise the employees who engaged in those practices. It was also alleged that SSB engaged in improper "spinning" of shares to executives of investment banking clients and failed to maintain policies and procedures reasonably designed to prevent the potential misuse of material non-public information in certain circumstances. Without admitting or denying the findings, SSB consented to (1) censures by NASD and the NYSE; (2) cease and desist orders in state proceedings prohibiting SSB from violating certain state laws and regulations; (3) a judgment prohibiting SSB from violating certain laws and regulations; (4) certain operational reforms; (5) participating in a voluntary initiative pursuant to which SSB will no longer make allocations of securities in hot IPOs to accounts of executive officers or directors of U.S. public companies; and (6) a payment of $400 million.

- The SEC alleged disclosure violations in connection with marketing arrangements between MSDW and certain mutual fund complexes in connection with the offer and sale of class B shares in certain Morgan Stanley proprietary mutual funds in the amount of $100,000 or more in a single transaction. The SEC also alleged that receipt of directed brokerage commissions as payment for such marketing arrangements contravened NASD Rule 2830(k). On November 17, 2003, without admitting or denying the findings, MSDW consented to orders including a censure; a cease and desist; and an undertaking to distribute, for the benefit of certain customers, $50 million dollars, consisting of disgorgement plus prejudgment interest in the amount of $25 million and civil penalty of $25 million. MSDW also made certain other undertakings including (1) preparing and distributing certain disclosures and a mutual fund bill of rights; (2) permitting certain class B shares to be converted to class A shares; and (3) retaining an independent consultant to review, among other things, the completeness of the disclosures and conformity with other aspects of the order.

- In 2004, the NYSE brought an administrative action alleging that MS&Co. and MSDW (1) failed to ensure delivery of prospectuses in connection with certain sales of securities; (2) failed to timely and accurately file daily program trade reports; (3) erroneously executed certain sell orders on a minus tick for securities in which MS&Co. held a short position; (4) failed to timely submit RE-3 in connection with certain matters; (5) hired certain individuals subject to statutory disqualification and failed to file fingerprint cards for certain non-registered employees; (6) failed to comply with requirements concerning certain market-on-close and limit-on-close orders; and (7) failed to reasonably supervise certain activities. MS&Co. and MSDW resolved the action on January 7, 2005, by consenting, without admitting or denying guilt, to a censure, a fine of $13 million, and a rescission offer to those clients who should have received a prospectus during the period from June 2003 to September 2004.

- In January 2005, the SEC filed a complaint in federal court alleging that, during 1999 and 2000, MS&Co. violated Regulation M by attempting to induce certain customers who received allocations of IPOs to place purchase orders for additional shares in the aftermarket. The SEC did not allege fraud or impact on the market. On January 25, 2005, MS&Co. agreed to the entry of a judgment enjoining MS&Co. from future violations and the payment of a $40 million civil penalty. The settlement terms received court approval on February 4, 2005.

- In March 2005, the SEC entered an administrative and cease and desist order against CGM for two disclosure failures by CGM in offering and selling mutual fund shares. Firstly, CGM received from mutual fund advisers and distributors revenue sharing payments, in exchange for which CGM granted mutual funds preferential sales treatment. The order found that CGM did not adequately disclose its revenue sharing program to its clients, in violation of the Securities Act of 1933 ("Securities Act") and Rule 10b-10 under the Securities Exchange Act of 1934 ("Exchange Act"). Secondly, on sales of Class B mutual fund shares in amounts aggregating $50,000 or more, the order found that CGM, in violation of the Securities Act, failed to disclose adequately at the point of sale that such shares were subject to higher annual fees. These fees could have a negative impact on client investment returns, depending on the amount invested and the intended holding period. The SEC order censured CGM, required CGM to cease and desist from future violations of the applicable provisions, and required CGM to pay a $20 million penalty.

- In March 2005, the NASD censured and fined CGM with respect to CGM's offer and sale of Class B and Class C mutual fund shares during 2002 and the first six months of 2003. The NASD found that CGM either had not adequately disclosed at the point of sale, or had not adequately considered in connection with its recommendations to clients to purchase Class B and Class C shares, the differences in share classes and that an equal investment in Class A shares generally would have been more advantageous for the clients. The NASD also found that CGM's supervisory and compliance policies and procedures regarding Class B and Class C shares had not been reasonably designed to ensure that SB Financial Consultants consistently provided adequate disclosure of, or consideration to, the benefits of the various mutual fund share classes as they applied to individual clients. The NASD censured CGM and required CGM to pay a $6.25 million fine.

- On May 31, 2005, the SEC issued an order in connection with the settlement of an administrative proceeding against Smith Barney Fund Management LLC ("SBFM") and CGM relating to the appointment of an affiliated transfer agent for the Smith Barney family of mutual funds ("Smith Barney Funds"). SBFM was an affiliate of CGM during the applicable period.

  The SEC order found that SBFM and CGM willfully violated section 206(1) of the Investment Advisers Act of 1940 ("Advisers Act"). Specifically, the order found that SBFM and CGM knowingly or recklessly failed to disclose to the Boards of the Smith Barney Funds in 1999 when proposing a new transfer agent arrangement with an affiliated transfer agent that: First Data Investors Services Group ("First Data"), the Smith Barney Funds' then-existing transfer agent, had offered to continue as transfer agent and do the same work for substantially less money than before; and Citigroup Asset Management ("CAM"), the Citi business unit that includes the Smith Barney Funds' investment manager and other investment advisory companies, had entered into a side letter with First Data under which CAM agreed to recommend the appointment of First Data as sub-transfer agent to the affiliated transfer agent in exchange, among other things, for a guarantee by First Data of specified amounts of asset management and investment banking fees to CAM and CGM. The order also found that SBFM and CGM willfully violated section 206(2) of the Advisers Act by virtue of the omissions discussed above and other misrepresentations and omissions in the materials provided to the Smith Barney Funds' Boards, including the failure to make clear that the affiliated transfer agent would earn a high profit for performing limited functions while First Data continued to perform almost all of the transfer agent functions, and the suggestion that the proposed arrangement was in the Smith Barney Funds' best interests and that no viable alternatives existed. SBFM and CGM did not admit or deny any wrongdoing or liability. The settlement did not establish wrongdoing or liability for purposes of any other proceeding.

  The SEC censured SBFM and CGM and ordered them to cease and desist from violations of sections 206(1) and 206(2) of the Advisers Act. The order required Citi to pay $208.1 million, including $109 million in disgorgement of profits, $19.1 million in interest, and a civil money penalty of $80 million. Approximately $24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining $183.7 million, including the penalty, has been paid to the U.S. Treasury.

The order required SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order; if a Citi affiliate submitted a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expense of SBFM and CGM to oversee a competitive bidding process. Under the order, Citi also must comply with an amended version of a vendor policy that Citi instituted in August 2004. That policy, as amended, among other things, requires that when requested by a Smith Barney Fund Board, CAM will retain at its own expense an independent consulting expert to advise and assist the Board on the selection of certain service providers affiliated with Citi.

- In a LAWC dated August 1, 2005, the NASD found that MSDW failed to establish and maintain a supervisory system, including written procedures, reasonably designed to review and monitor MSDW's fee-based brokerage business, between January 2001 and December 2003. Without admitting or denying the allegations, MSDW consented to the described sanctions and findings and was censured and fined $1.5 million, and agreed to the payment of restitution to 3,549 customers in the total amount of approximately $4.7 million, plus interest.

- The SEC alleged that MS&Co. violated the Exchange Act by inadvertently failing to timely produce emails to the SEC staff pursuant to subpoenas in the SEC's investigation into MS&Co.'s practices in allocating shares of stock in IPOs and an investigation into conflicts of interest between MS&Co.'s research and investment banking practices. Without admitting or denying the allegations, MS&Co. consented to a final judgment on May 12, 2006 in which it was permanently restrained and enjoined from violating the Exchange Act. MS&Co. agreed to make payments aggregating $15 million, which amount was reduced by $5 million contemporaneously paid by MS&Co. to the NASD and the NYSE in related proceedings. MS&Co. also agreed to notify the SEC, the NASD and the NYSE that it has adopted and implemented policies and procedures reasonably designed to ensure compliance with the Exchange Act. MS&Co. also agreed to provide annual training to its employees responsible for preserving or producing electronic communications and agreed to retain an independent consultant to review and comment on the implementation and effectiveness of the policies, procedures and training.

- On June 27, 2006, the SEC announced the initiation and concurrent settlement of administrative cease and desist proceedings against MS&Co. and MSDW for failing to maintain and enforce adequate written policies and procedures to prevent the misuse of material nonpublic information. The SEC found that from 1997 through 2006, MS&Co. and MSDW violated the Exchange Act and the Advisers Act by failing to (1) conduct any surveillance of a number of accounts and securities; (2) provide adequate guidance to MS&Co.'s and MSDW's personnel charged with conducting surveillance; and (3) have adequate controls in place with respect to certain aspects of "Watch List" maintenance. The SEC's findings covered different areas from the 1997 through 2006 time period. MS&Co. and MSDW were ordered to pay a civil money penalty of $10 million and agreed to enhance their policies and procedures.

- On August 21, 2006, MS&Co. and MSDW entered into a LAWC relating various finds that, at various times between July 1999 and 2005, MS&Co. violated a number of NASD and SEC rules. The violations related to areas including trade reporting through the Nasdaq Market Center (formerly Automated Confirmation Transaction Service (ACT)), Trade Reporting and Compliance Engine (TRACE) and Order Audit Trail System (OATS); market making activities; trading practices; short sales; and large options positions reports. The NASD also found that, at various times during December 2002 and May 2005, MSDW violated NASD rules and Municipal Securities Rulemaking Board ("MSRB") rules related to areas including trade reporting through TRACE, short sales, and OATS. The NASD further found that, in certain cases, MS&Co. and MSDW violated NASD Rule 3010 because their supervisory systems did not provide supervision reasonably designed to achieve compliance with securities laws, regulations and/or rules.

  Without admitting or denying the findings, MS&Co. and MSDW consented to the LAWC. In the LAWC, MS&Co. and MSDW were censured, required to pay a monetary fine of $2.9 million and agreed to make restitution to the parties involved in certain transactions, plus interest, from the date of the violative conduct until the date of the LAWC. MS&Co. and MSDW also consented to (1) revise their written supervisory procedures; and (2) provide a report that described the corrective action that they completed during the year preceding the LAWC to address regulatory issues and violations addressed in the LAWC, and the ongoing corrective action that they were in the process of completing.

- On May 9, 2007, the SEC issued an Order ("May 2007 Order") settling an administrative action with MS&Co. In this matter, the SEC found that MS&Co. violated its duty of best execution under the Exchange Act. In particular, the SEC found that, during the period of October 24, 2001 through December 8, 2004, MS&Co.'s proprietary market-making system failed to provide best execution to certain retail OTC orders. In December 2004, MS&Co. removed the computer code in the proprietary market-making system that caused the best execution violations. MS&Co. consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to pay disgorgement of approximately $5.9 million plus prejudgment interest on that amount, and to pay a civil penalty of $1.5 million. MS&Co. also consented to retain an Independent Compliance Consultant to review its policies and procedures in connection with its market-making system's order handling procedures and its controls relating to changes to those procedures, and to develop a better plan of distribution.

- On July 13, 2007, the NYSE issued a Hearing Board Decision in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities against CGM. The decision held that CGM failed to (1) adequately supervise certain branch offices and Financial Advisors who engaged in deceptive mutual fund market timing on behalf of certain clients from January 2000 through September 2003 (in both proprietary and non-proprietary funds); (2) prevent the Financial Advisors from engaging in this conduct; and (3) make and keep adequate books and records. Without admitting or denying the findings, CGM agreed to (a) a censure; (b) establishing a $35 million distribution fund for disgorgement payments; (c) a penalty of $10 million (half to be paid to the NYSE and half to be paid to the distribution fund); (d) a penalty of $5 million to be paid to the State of New Jersey; and (e) appointing a consultant to develop a plan to pay CGM's clients affected by the market timing.

- On September 27, 2007, MS&Co. entered into a LAWC with the Financial Industry Regulatory Authority ("FINRA"). FINRA found that, from October 2001 through March 2005, MSDW provided inaccurate information to arbitration claimants and regulators regarding the existence of pre-September 11, 2001 emails, failed to provide such emails in response to discovery requests and regulatory inquiries, failed adequately to preserve books and records, and failed to establish and maintain systems and written procedures reasonably designed to preserve required records and to ensure that it conducted adequate searches in response to regulatory inquiries and discovery requests. FINRA also found that MSDW failed to provide arbitration claimants with updates to a supervisory manual in discovery from late 1999 through the end of 2005. MS&Co. agreed, without admitting or denying these findings, to establish a $9.5 million fund for the benefit of potentially affected arbitration claimants. In addition, MS&Co. was censured and agreed to pay a $3 million regulatory fine and to retain an independent consultant to review its procedures for complying with discovery requirements in arbitration proceedings relating to its retail brokerage operations.

- On October 10, 2007, MS&Co. became the subject of an Order Instituting Administrative and Cease-And-Desist Proceedings ("October 2007 Order") by the SEC. The October 2007 Order found that, from 2000 until 2005, MS&Co. and MSDW failed to provide to their retail customers accurate and complete written trade confirmations for certain fixed income securities in violation of the Exchange Act and MSRB rules. In addition, MS&Co. was ordered to cease and desist from committing or causing any future violations, and was required to pay a $7.5 million penalty and to retain an independent consultant to review MS&Co.'s applicable policies and procedures. MS&Co. consented to the issuance of the October 2007 Order without admitting or denying the SEC's findings.

- On December 18, 2007, MS&Co. became the subject of an Order Instituting Administrative Cease-and-Desist Proceedings ("December 2007 Order") by the SEC. The December 2007 Order found that, from January 2002 until August 2003, MSDW (1) failed to reasonably supervise four Financial Advisors, with a view to preventing and detecting their mutual fund market-timing activities and (2) violated the Investment Company Act of 1940 by allowing multiple mutual fund trades that were placed or amended after the close of trading to be priced at that day's closing net asset value. The December 2007 Order also found that, from 2000 through 2003, MSDW violated the Exchange Act by not making and keeping records of customer orders placed after the market close and orders placed for certain hedge fund customers in variable annuity sub-accounts. Without admitting or denying the SEC's findings, MS&Co. agreed to a censure, to cease and desist from future violations of the applicable provisions, to pay a penalty of approximately $11.9 million, to disgorge profits related to the trading activity (including prejudgment interest) of approximately $5.1 million and to retain an independent distribution consultant.

- In May 2005, MS&Co. and MSDW discovered that, from about January 1997 until May 2005, their order entry systems did not check whether certain secondary market securities transactions complied with state registration requirements known as Blue Sky laws. This resulted in the improper sale of securities that were not registered in 46 state and territorial jurisdictions. MS&Co. and MSDW conducted an internal investigation, repaired system errors, self-reported the problem to all affected states and the New York Stock Exchange, identified transactions which were executed in violation of the Blue Sky laws, and offered rescission to affected customers. MS&Co. settled the state regulatory issues in a multi-state settlement with the 46 affected state and territorial jurisdictions. Under the settlement, MS&Co. consented to a cease and desist order with, and agreed to pay a total civil monetary penalty of $8.5 million to be divided among, each of the 46 state and territorial jurisdictions. The first order was issued by Alabama on March 19, 2008, and orders are expected to be issued by subsequent states over the coming months.

- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the NYAG and the Office of the Illinois Secretary of State, Securities Department ("Illinois") (on behalf of a task force of the North American Securities Administrators Association ("NASAA")) with respect to the sale of auction rate securities ("ARS"). MS&Co. agreed, among other things, to repurchase at par approximately $4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. agreed to pay a total fine of $35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with other NASAA jurisdictions.

- On November 13, 2008, in connection with the settlement of a civil action arising out of an investigation by the SEC into CGM's underwriting, marketing and sale of ARS, CGM, without admitting or denying the allegations of the SEC's complaint, except as to those relating to personal and subject matter jurisdiction, which were admitted, consented to the entry in the civil action of a Judgment As To Defendant Citigroup Global Markets Inc. ("November 2008 Judgment"). Thereafter, on December 11, 2008, the SEC filed its civil action in the federal district court for the Southern District of New York ("Court"). The November 2008 Judgment, which was entered on December 23, 2008 (i) permanently enjoined CGM from directly or indirectly violating section 15(c) of the Exchange Act; (ii) provides that, on later motion of the SEC, the Court is to determine whether it is appropriate to order that CGM pay a civil penalty pursuant to section 21(d)(3) of the Exchange Act, and if so, the amount of the civil penalty; and (iii) ordered that CGM's Consent be incorporated into the November 2008 Judgment and that CGM comply with all of the undertakings and agreements in the Consent, which include an offer to buy back at par certain ARS from certain customers. The SEC's complaint alleged that (1) CGM misled tens of thousands of its customers regarding the fundamental nature of and risks associated with ARS that CGM underwrote, marketed and sold; (2) through its financial advisers, sales personnel and marketing materials, CGM misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGM customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGM decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGM customers held approximately $45 billion of illiquid ARS, instead of the liquid short-term investments CGM had represented ARS to be. CGM reached substantially similar settlements with the NYAG and the Texas State Securities Board ("TSSB"), although those settlements were administrative in nature and neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC in that the state settlements (a) made findings that CGM failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (b) required CGM to refund certain underwriting fees to certain municipal issuers. In addition, as part of the settlement with New York, CGM paid a civil penalty of $50 million. CGM also agreed in principle to pay to states other than New York with which it enters into formal settlements a total of $50 million. CGM paid $3.59 million of this $50 million to Texas as part of the settlement with that state. CGM expects it will reach settlements with the remaining states.

- On March 25, 2009, MS&Co. entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. consented, without admitting or denying the findings, to a censure, a fine of $3 million, and restitution of approximately $2.4 million plus interest to 90 former clients of the Financial Advisors.

MSSB's Form ADV Part 1 contains further information about its disciplinary history, and is available on request from your Financial Advisor.

## Other Financial Industry Activities and Affiliations

Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange. Prior to June 28, 2013, MSSB was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citi. On June 28, 2013, Morgan Stanley Parent purchased Citi's 35% interest in MSSB. Accordingly, MSSB is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

***Activities of Morgan Stanley Parent.*** Morgan Stanley Parentis a global firm engaging, through their various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities and structured financial products and
- global custody, securities clearance services, and securities lending.

***Broker-Dealer and FCM Registrations.*** As well as being a registered investment advisor, MSSB is registered as a broker-dealer and a futures commission merchant.

***Restrictions on Executing Trades.*** As MSSB is affiliated with MS&Co.and its affiliates, the following restrictions apply when executing client trades:

- MSSB and MS&Co. generally do not act as principal in executing trades for MSSB investment advisory clients (except to the extent permitted by a program and the law).
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates.
- Certain regulatory requirements may limit MSSB's ability to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSSB, MS&Co.,or their affiliates.

These restrictions may adversely impact client account performance.

See Item 6.B above for conflicts that arise as a result of MSSB's affiliation with MS&Co. and its affiliates.

***Related Investment Advisors and Other Service Providers.*** MSSB has related persons that are registered investment advisers in various investment advisory programs (including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited and Consulting Group Advisory Services LLC). If you invest your assets and use an affiliated firm to manage your account, MSSB and its affiliates earn more money than if you use an unaffiliated firm.

Generally, for Retirement Plans, MSSB rebates or offsets fees so that MSSB complies with IRS and Department of Labor rules and regulations.

Morgan Stanley Investment Management Inc. and its wholly owned subsidiary Morgan Stanley Services Company Inc. serve in various advisory, management, and administrative capacities to open-end and closed-end investment companies and other portfolios (some of which are listed on the NYSE).

Morgan Stanley Distribution Inc. serves as distributor for these open-end investment companies, and has entered into selected dealer agreements with MSSB and affiliates. Morgan Stanley Distribution Inc. also may enter into selected dealer agreements with other dealers. Under these agreements, MSSB and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-l under the Investment Company Act of 1940).

Morgan Stanley Services Company Inc., an affiliate of MSSB, serves as transfer agent and dividend disbursing agent for investment companies advised by Morgan Stanley Investment Management Inc. and other affiliated investment advisers and may receive annual per shareholder account fees from or with respect to them and certain nonaffiliated investment companies.

Related persons of MSSB act as general partner, administrative agent or managing member in a number of funds in which clients may be solicited in a brokerage or advisory capacity to invest. These include funds focused on private equity investing, investments in leveraged buyouts, venture capital opportunities, research and development ventures, real estate, managed futures, hedge funds, funds of hedge funds and other businesses.

See Item 4.C above for a description of cash sweep investments managed or held by related persons of MSSB.

### Code of Ethics

MSSB's Investment Adviser Code of Ethics ("Code") applies to its employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). In essence, the Code prohibits Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of MSSB's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches and departments that they supervise.

The Code generally operates to protect against conflicts of interest either by subjecting Employee activities to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- An Employee who wishes to conduct business activity outside of his or her employment with MSSB, regardless of whether that Employee receives compensation for this activity, must first obtain written authorization from his or her supervisor. (Outside activities include serving as an officer or director of a business organization or non-profit entity, and accepting compensation from any person or organization other than MSSB.)
- Employees are generally prohibited from giving or receiving gifts or gratuities greater than $100 per recipient per calendar year to or from persons or organizations with which MSSB has a current or potential business relationship, clients, or persons connected with another financial institution, a securities or commodities exchange, the media, or a government or quasi-governmental entity.
- Employees cannot enter into a lending arrangement with a client (unless they receive prior written approval from their supervisor and MSSB's Compliance Department).
- MSSB maintains a "Restricted List" of issuers for which it may have material non-public information or other conflicts of interest. Employees cannot, for themselves or their clients, trade in securities of issuers on the "Restricted List" (unless they receive prior written approval from the Compliance department).
- Certain Employees, because of their potential access to non-public information, must obtain their supervisors' prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts. All Employees must also follow special procedures for investing in private securities transactions.
- Certain Employees are subject to further restrictions on their securities transaction activities (including Financial Advisors and other MSSB employees who act as portfolio managers in MSSB investment advisory programs).

You may obtain a copy of the Code of Ethics from your Financial Advisor.

See Item 6.B above.

### Reviewing Accounts

At account opening, your Financial Advisor must ensure that, and the Financial Advisor's Branch Manager (or the Branch Manager's designee) confirms that, the account and the investment style are suitable investments for you.

As an IS client, your Financial Advisor is then responsible for reviewing your account on an ongoing basis and will recommend different asset allocations at any time according to market conditions. Your Financial Advisor will ask you at least annually if your investment objectives have changed. If your objectives change, your Financial Advisor will modify your asset allocation to be suitable for your needs.

See Item 4.A above for a discussion of account statements and Investment Monitors.

### Client Referrals and Other Compensation

See "Payments from Funds" in Item 4.C above.

MSSB's Professional Alliance Group program allows certain unaffiliated third parties to refer clients to MSSB. If the client invests in an investment advisory program, MSSB pays the third party an ongoing referral fee (generally about 25% of the portion of the client fee that MSSB would otherwise allocate to the Financial Advisor). MSSB may pay a fee greater or less than 25% depending on the facts and circumstances of the relationship.

## Financial Information

MSSB is not required to include a balance sheet in this brochure because MSSB does not require or solicit prepayment of more than $1,200 in fees per client, six months or more in advance.

MSSB does not have any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to clients.

MSSB and it predecessors have not been the subject of a bankruptcy petition during the past ten years.

## Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement

### Sweep Vehicles in Retirement Accounts and CESAs

Since the dates below ("Effective Dates"), the following "Retirement Plan Accounts" (IRAs, Employee Benefit Trusts ("EBTs"), Retirement Plan Manager ("RPM" accounts) and Versatile Investment Program ("VIP") accounts) and Coverdell Education Savings Accounts ("CESAs") have generally been effecting temporary sweep transactions of new uninvested cash balances into Deposit Accounts established under the Bank Deposit Program: (although MSSB Retirement Plan Accounts formerly at Citi and/or Smith Barney did not begin using BDP as the Sweep Investment until MSSB completed the merger of its investment advisory programs in 2012):

- *September 17, 2007* for "IRAs" (e.g., Traditional, Roth, Rollover, SEP, SAR-SEP, SIMPLE), and
- *May 19, 2008* for the remaining Retirement Plan Accounts (i.e., EBT, RPM and VIP accounts) and CESAs.

Before the Effective Dates, MSSB effected such sweep transactions using the Morgan Stanley money market funds listed in the table below as follows (although MSSB Retirement Plan Accounts formerly at Citi and/or Smith Barney did not begin using these Morgan Stanley money market funds as the Sweep Investment until some time after the Effective Date):

  - IRAs or CESAs in advisory programs swept into the Morgan Stanley Liquid Asset Fund Inc. ("ILAF") and
  - all other Retirement Plan Accounts in advisory programs swept into one or a number of different proprietary mutual funds (which could have included ILAF) depending on the type of account and the advisory program.

As of the Effective Dates, any existing balances in these Morgan Stanley money market funds remained in the funds, pending use for account charges and other purposes. Therefore, these accounts could still maintain cash balances in these funds.

***Now, as an alternative to the Deposit Account, Retirement Plan Accounts and CESAs can choose to sweep into ILAF.***

For Retirement Plan Accounts that swept into affiliated money market funds before the Effective Dates and continue to hold cash amounts in these funds, or that now select one of these funds:

- any fee designated in the table below as "Advisory Fee" received by an MSSB affiliate is offset against the advisory program fees and
- any fees designated in the table as "Distribution and Service Fees" received by MSSB or its affiliates is credited to the account.

Accordingly, changes in these fees over time did not affect the fees paid by Retirement Plan Accounts.

### Interest Earned on Float

If MSSB is the custodian of your account, MSSB may retain as compensation, for providing services, the account's proportionate share of any interest earned on cash balances held by MSSB (or an affiliate) with respect to assets awaiting investment including:

- new deposits to the account (including interest and dividends) and
- uninvested assets held by the account caused by an instruction to the custodian to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

This interest is generally at the prevailing Federal Funds interest rate.

Generally, with respect to such assets awaiting investment:

  - when the custodian receives the assets on a day on which the NYSE is open ("Business Day") and before the NYSE closes, the custodian earns interest through the end of the following Business Day and
  - when the custodian receives the assets on a Business Day but after the NYSE closes, or on a day which is not a Business Day, the custodian earns interest through the end of the second following Business Day.

### MSSB as an ERISA fiduciary

If MSSB is a fiduciary (as that term is defined under ERISA or the Code) with respect to the Retirement Plan Account, the table below describes the fees and expenses charged to assets invested in shares of the money market funds in which the account invests (expressed as a percentage of each fund's average daily net assets for the stated fiscal year). Note that:

- The rate of Advisory Fee and Distribution and Service Fees (including 12b-1 fees) (whether in basis points or dollars) may not be increased without first obtaining shareholder approval.
- Expenses designated as "Other Expenses" include all expenses not otherwise disclosed in the table that were deducted from each fund's assets or charged to all shareholder accounts in the stated fiscal year (and may change from year to year).

These fees and expenses may be paid to MSSB and its affiliates for services performed. The aggregate amount of these fees is stated in the tables below. The amounts of expenses deducted from a fund's assets are shown in each fund's statement of operations in its annual report.

Morgan Stanley Investment Management (and/or its affiliates) may, from time to time, waive part of its advisory fee or assume or reimburse some of a fund's operating expenses. (This may be for a limited duration.) Such actions are noted in the fund's prospectus and/or statement of additional information. The table below shows the Total Annual Fund Operating Expenses (before management fee waivers and/or expense reimbursements) and the Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements.

MSSB believes that investing in shares of the funds for sweep purposes may be appropriate for Retirement Plans because using professionally managed money market funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSSB also believes that investing a Retirement Plan's assets in the Deposit Accounts may also be appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials.

The fund expense information below reflects the most recent information available to us as of March 13, 2013, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

| Fund | Advisory Fee | Distribution and Service Fees | Other Expenses | Total Annual Fund Operating Expenses | Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements |
|---|---|---|---|---|---|
| Active Assets Money Trust | 0.24% | 0.10% | 0.08% | 0.42% | 0.23% |
| Active Assets Government Securities Trust | 0.45% | 0.10% | 0.15% | 0.70% | 0.11% |
| Active Assets Institutional Government Securities Trust | 0.10% | None | 0.07% | 0.17% | 0.11% |
| Active Assets Institutional Money Trust | 0.10% | None | 0.07% | 0.17% | 0.16% |
| Morgan Stanley Liquid Asset Fund Inc. | 0.24% | 0.10% | 0.13% | 0.47% | 0.25% |
| Morgan Stanley U.S. Government Money Market Trust | 0.36% | 0.10% | 0.10% | 0.56% | 0.09% |